Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.650	Iran	Rls210	Philippines	Pes40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.50	Qatar	QR10.00
Denmark	DKr15	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.00	Kuwait	Fils.600	Singapore	S$4.10
Finland	Fmk9.50	Lebanon	L£1,600	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.850
Iceland	IKr190	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,566

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SPONSORSHIP
The lure of the football shirt
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World News

Three die as Romanian miners riot in Bucharest

Three people were killed when thousands of striking Romanian coalminers clashed with riot police after trying to storm government headquarters in Bucharest. The miners, angry about low pay and soaring prices, had hijacked trains to reach the capital. Page 22

Foreign troops go in
Belgian paratroopers crossed from Congo into Zaire to evacuate Belgians trapped in rioting there. France said its troops, which entered Zaire on Tuesday, had restored order in the capital, Kinshasa. Portugal was also sending troops. Page 4

Hostage flies home
Freed British hostage Jackie Mann, 77, flew back to Britain. The arrival of the former Battle of Britain pilot was marked by a victory roll from an old Spitfire fighter aircraft at the Royal Air Force base in Lyneham, Wiltshire. Israel blames Iran for hostage deal delays. Page 4

Marcos arrest ordered
A Philippines judge ordered the arrest of exiled Imelda Marcos, widow of the country's former president, for not paying hundreds of millions of dollars in taxes.

Yugoslav truce meeting
Croatian president Franjo Tudjman, Yugoslav defence minister General Veljko Kadijevic and Serbian president Slobodan Milosevic agreed on the need for an "absolute ceasefire" in Croatia. Page 2

Soviet break-up
Total disintegration of the Soviet Union would not be in the world's interests, British foreign secretary Douglas Hurd warned the United Nations. Page 2

Palestinians shot
Israeli soldiers shot dead three Palestinians and captured four in fighting in the occupied West Bank. The Israelis said the Palestinians were Black Panther guerrillas.

Holiday for Yeltsin
Russian president Boris Yeltsin cancelled a meeting with German finance minister Theo Waigel and left Moscow for a surprise holiday. His spokesman denied the president was unwell but said he was tired. Page 2

Shooting in Georgia
Four people were killed and five wounded in the Soviet republic of Georgia, where armed opponents of elected president Zviad Gamsakhurdia have been accusing him of dictatorship and demanding his resignation. Page 2

Salvador trial opens
A Salvadorean army colonel and eight other soldiers go on trial today accused of killing six Jesuit priests in 1989.

Chad army mutiny
Chad's state-run radio said 49 people were killed in an army mutiny in the north of the country. The government blamed troops loyal to ousted president Hissene Habre.

US death sentence
Warren McCleskey, a black man convicted of shooting a white policeman during a 1978 robbery, was executed in the electric chair in Atlanta, Georgia despite worldwide clemency appeals.

Missing on Mont Blanc
French rescuers searched for three Spanish climbers missing on Mont Blanc after being engulfed by an avalanche. Six others were rescued.

Seville heroin haul
Spanish police raided the home of a Seville taxi driver and found 110lb of heroin, Pta16m ($152,000) in cash, eight guns and some cocaine.

Business Summary

Air France to cut 3,000 jobs and take Sabena stake

Air France, French national carrier, announced a complete overhaul involving the loss of 3,000 jobs – 8 per cent of its workforce – over two years.

The airline is expected shortly to take a 35 per cent stake in Sabena, the troubled Belgian carrier for BFr4bn ($116m). A Belgian financial consortium is expected to provide another BFr2bn. Page 23

HOGG GROUP, international insurance broking company, reported a 14 per cent increase in pre-tax profits to £8.26m in the six months to June 30 in spite of falling interest rates. Page 28

OPEC, oil producers' organisation, meeting in Geneva failed to allocate new individual oil production quotas, but settled on an output ceiling of 23.65m barrels a day for the fourth quarter of 1991. Page 31

C. ITOH, Japanese trading company, has signed a co-operative agreement with Sonatrach, the Algerian state oil and gas monopoly, that could lead to participation in $5bn worth of gas development and gas processing projects. Page 7

GENERAL MOTORS Holden's Automotive, Australian subsidiary of General Motors of the US, reported a 64 per cent fall in net operating profit to A$53m (US$44m) last year. Page 25

NIKON, maker of cameras and semiconductor manufacturing equipment, has cut its capital investment budget for the year by more than half to Y8.5bn ($63.9m) because of a sharp drop in sales to semiconductor makers. Page 24

NORDBANKEN, Swedish state-controlled bank, suffered an unexpectedly large loss of SKr4.6bn ($750m) for the first eight months of the year as credit losses and provisions climbed to almost SKr8bn. Page 24

VARITY, US automotive and farm equipment group, is to appeal against a jury award of nearly US$46m to 233 former employees of Massey Combines. It covers severance, retirement and health benefits stopped when the subsidiary became bankrupt. Page 25

EAGLE STAR, insurance subsidiary of BAT Industries of the UK, is to shed at least 1,000 jobs over the next three years. Forty-eight offices will close next year and the company's head office and main administration will be moved from London to Gloucestershire.

LYONNAISE des Eaux-Dumez, French water utility and construction group, expects full-year profits to rise by less than the first half's 23 per cent. Page 24

CUBA, with more than a third of the world's nickel reserves, is likely to produce only 40,000 tonnes this year, down from 46,000 tonnes in 1990. However, production is expected to be more than doubled within five years because of a $1.2bn investment from a western mining company. Page 31

GEEST, UK fresh produce and prepared foods group, reported taxable profits up 7 per cent to £15.1m for the six months to June 29 largely because of improved efficiency in its fresh produce business. Page30

POLLY PECK International administrators may be poised to gain access to the records of the collapsed fruit and electronics group in northern Cyprus, belived to be the key to its financial position. Page 29

LEP GROUP, UK security and distribution concern 27 per cent owned by ADT, saw its share price stabilise at 27p after it signed a credit agreement with 23 of its 30 banks, led by National Westminster. Page 23

Brussels to call for growing tax on energy

By **David Gardner** in Brussels and **John Hunt** in London

THE European Commission yesterday agreed after more than two years of debate on a controversial proposal for an energy tax equivalent to $10 per barrel of oil by the year 2000. The tax would be based in part on the carbon content of fuels.

Brussels wants member states to introduce the tax gradually, starting with a $3 levy in January 1993, and rising by $1 each year until 2000. The object is to meet the EC's commitment to stabilise carbon dioxide emissions at 1990 levels by the end of the century, as well as to promote energy efficiency and security of supply.

Mr Carlo Ripa di Meana, the environment commissioner, said that although the EC generated only 13 per cent of world CO_2 emissions, against 23 per cent from the US, the Community's contribution to global warming was increasing because of the fall in oil prices. Fiscal weapons to combat this were "the least expensive", and sent a signal to consumers and industry that "environmental costs must be internalised".

The EC has no tax-raising powers, so that it would be the member states which levied the charge. Under the Commission's plan, the tax would be offset by tax cuts in other areas. "We are talking about changing the balance of the existing tax system in favour of the environment," a senior official said.

The British government, meanwhile, outlining a report on the environment yesterday, said it was against levying an energy tax unilaterally although it was prepared to enter a debate on the Commission's proposals.

Mr David Trippier, minister of state for the environment, said: "We have set our face against taking that kind of action unilaterally because it would be disastrous for Britain's industry," he said. Two thirds of EC members were against such a tax, he said.

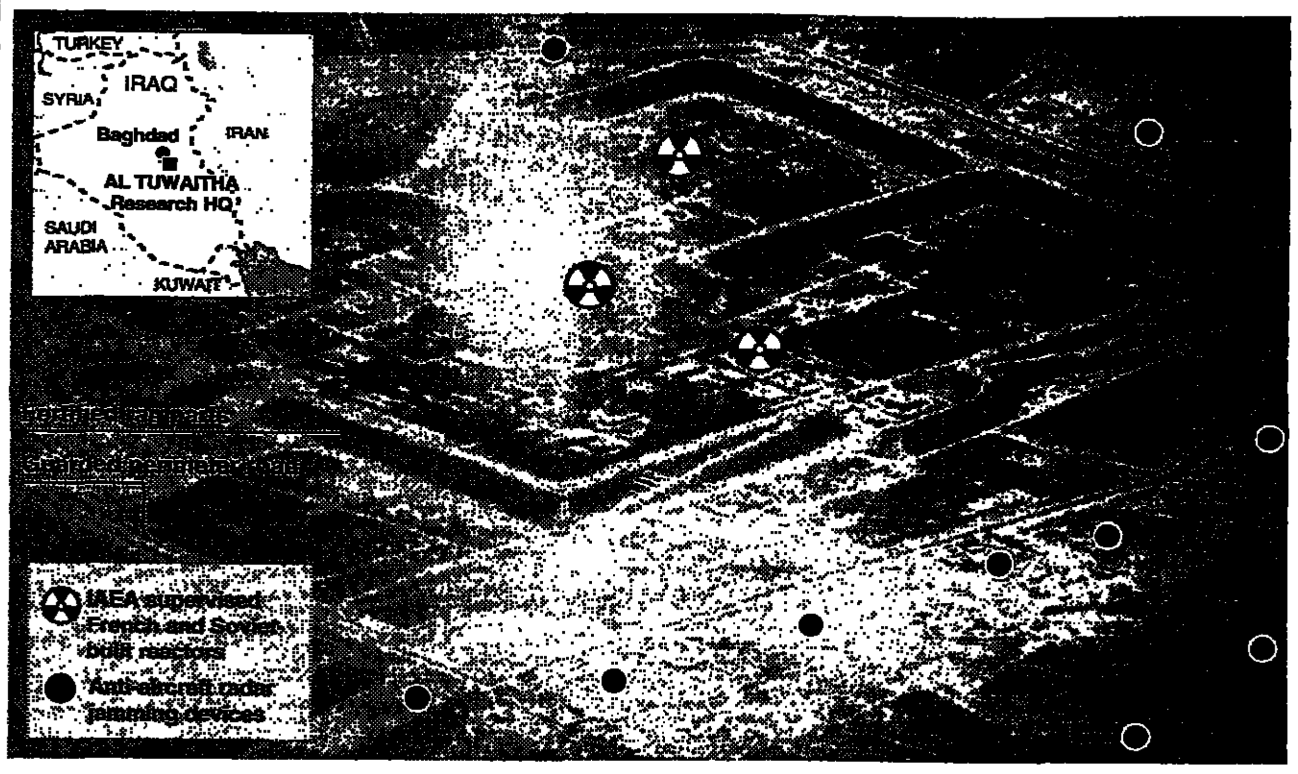
He said the government did not rule out a carbon tax being introduced by the EC, but Britain was opposed at the moment because it had not seen a full draft of the Commission's proposals.

Mr Ripa di Meana said the tax would fall evenly, in a 50-50 split, on fossil fuels graded according to their carbon content, and all other forms of non-renewable energy. Thus, the $10 per barrel of oil benchmark would translate into a $14 levy on the equivalent amount of coal-fired energy but a $5 tax on the same amount of

Continued on Page 22

Environmental audit, Page 10; Editorial Comment, Page 24

Iraq's nuclear centre: the first picture



This is believed to be the first published picture of al-Tuwaitha, headquarters of Iraq's illicit $10bn nuclear weapons research programme, writes Bronwen Maddox.

Inspectors of the International Atomic Energy Agency, the UN watchdog, have penetrated the ramparts of the al-Tuwaitha compound in repeated missions over the past four months. The inspectors' investigations have provoked growing confrontation between Baghdad and the UN.

In the latest of a series of incidents, a UN team was last night still camped in the compound of Iraq's atomic energy administration in Baghdad, 36 hours after refusing to surrender copies of secret files identifying Iraqi staff behind the programme.

The teams have faced "obstruction and deception on a massive scale", according to team leader Mr David Kay. Iraqi security forces have bulldozed, blown up and buried equipment from nuclear facilities across Iraq, and previous UN missions have been busy digging the evidence out of the desert sand.

The picture, taken recently, shows the remains of al-Tuwaitha's 90 buildings which, until the Gulf war, had served as the centre of Iraq's nuclear weapons research.

The site, bombed by Israel in 1981 and again by the allies in the Gulf war, is at the centre of a heavily patrolled military area. "Once inside the perimeter, the security was remarkably low," says IAEA team leader Mr David Kay.

At the heart of the complex are the Soviet and French-built nuclear reactors and a nuclear fuel storage facility that the IAEA has been allowed to inspect twice a year under the Nuclear Non-Proliferation Treaty.

The IAEA's wants to remove the fuel rods from those reactors at a cost of around $20m.

Al-Tuwaitha's main secret was that Iraq was pursuing three parallel routes to enrich uranium to the concentrations needed for nuclear weapons. It had also processed a small amount of plutonium.

The main thrust of al-Tuwaitha's research was electromagnetic separation of uranium. The technology is essentially the same as that used by the US for the Hiroshima bomb.

Although primitive by western standards, Iraq's facilities could have produced enough enriched uranium for a weapon within 18 months, the IAEA has concluded.

The lavishness, "money-no-object" nature of al-Tuwaitha is shown by its third route of chemical solvent separation, a French method scarcely beyond laboratory stage even in the west.

Al-Tuwaitha also headed Iraq's research into enrichment by centrifuges, spinning the uranium in gaseous form – a sophisticated method whose use in Iraq has most startled inspectors.

Deadlock over UN team, Page 4

British Aerospace chairman Smith prepares to quit

By **Paul Betts and Roland Rudd** in London

PROFESSOR Sir Roland Smith last night was on the verge of resigning as chairman of British Aerospace, the UK's leading defence contractor and one of the country's biggest manufacturing groups.

Sir Graham Day, chairman of Rover, BAe's car subsidiary, was expected to replace him.

Sir Roland has come under intense pressure from fellow directors and City institutions following the bungled launch of a £432m ($752m) rights issue and warnings that BAe profits will be sharply below expectations this year.

A crisis of confidence in the chairman appears to have gathered momentum in recent days. However, the situation appeared to be reaching a climax last night.

Sir James Blyth, a BAe non-executive director and chief executive of Boots, had also been seen as a front runner for the BAe chairmanship. However, there were reports yesterday that Sir James had apparently turned down the job.

The cancellation of meetings and other events inside the company suggested the crisis was coming to a head.

Sir Roland's style of management and his diversification strategy at BAe had come under increasing criticism. Both Mr Dick Evans, BAe's chief executive, and Mr Dudley Eustace, the finance director, also appeared to have become increasingly critical of Sir Roland's role in the group.

It emerged yesterday that both Mr Evans and Mr Eustace were especially critical of Sir Roland's failed attempts to create a merger with Trafalgar House, the construction and engineering group.

Sir Roland approached Sir Nigel Broackes, the Trafalgar House chairman, in April with a detailed proposal for a merger between the two companies. The two held a series of meetings before the proposals were discussed by the Trafalgar House board. These entailed the creation of a new company which would incorporate BAe and Trafalgar House.

The proposals were rejected by the Trafalgar House board and Sir Roland was criticised by some BAe directors for his handling of the affair.

The subsequent handling and loss of the UK government contract to manage the EH101 Merlin helicopter project to a partnership between International Business Machines and Westland is understood to have fuelled additional internal tensions within the company.

But it was the badly mishandled launch of the rights issue coupled with the company's worst than expected financial performance which finally spurred BAe directors into action. BAe shocked the City earlier this month by warning it would report pre-tax profits of only £150m this year against earlier expectations of £300m to £350m.

Since the announcement and the launch of the rights issue, BAe shares have lost about a quarter of their value.

There had been expectations that the company would avoid a boardroom battle until after the rights issue had become fully paid on October 28. But the situation had clearly become too dramatic and it had become necessary to take action to restore some confidence towards the group.

BAe was expected to make an announcement last night confirming his resignation.

Bank of England training E Europe central bankers

By **Peter Norman** in London

Mr Robin Leigh-Pemberton, the governor of the Bank of England, yesterday revealed that the Bank was acting as schoolteacher to central bankers from eastern and central Europe and the former Soviet Union. The Bank aims to reveal to them the mysteries of the modern market economy.

The Centre for Central Banking Studies intends to play a leading role in saving the emerging market economies of eastern Europe and the Soviet Union from hyper-inflation and monetary mismanagement.

Its sole weapon is knowledge, or "technical assistance". Already this year 135 foreign central bankers, mainly from eastern and central Europe, have attended the Bank's training courses. More are expected and the Bank will take its expertise to Prague and Bucharest in the next six months as well as planning two courses in London for officials from the Soviet Union.

The first of these, a fortnight-long course in October will cater for senior bank supervisors from the republic state banks and will run in co-operation with Barclays Bank and Midland Montagu.

In a speech to the American Chamber of Commerce yesterday, Mr Leigh-Pemberton underlined the extent of the problems the new centre had been set up to overcome.

"The threat of hyper-inflation in the Soviet Union is real and imminent", while current control mechanisms were "dangerously inadequate", the governor said. "A mechanism needs to be found, and soon, to restore budgetary constraint and effective control over the money supply", he added.

Mr Leigh-Pemberton said that under the old command economy system, central banks had "next to nothing to do with the price level". In the emerging market economies "they will, I hope, have everything to do with it."

He added: "But they will be operating in a very unfamiliar environment." The Bank was therefore prepared "as a matter of urgency" to help the central banks of the Soviet Union and eastern and central Europe to learn to make judgments about interest and exchange rates and to devise techniques for controlling credit and liquidity based on market operations.

The Bank has passed on knowhow before, to high-flyers from Commonwealth central banks. But the new centre, with 10 staff and its own director of central banking studies, is its first formal training facility. A rough unofficial estimate put the costs of the centre at more than £2m ($3.48m) a year.

Western central banks are keen to send their knowledge and influence east. The much smaller Austrian National Bank, for example, provided training for more than 700 central bankers from eastern Europe and the Soviet Union in the first half of this year.

NCR to computerise Russian bank, Page 22

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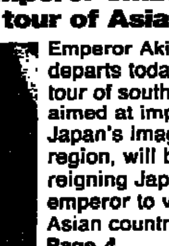
Japanese emperor embarks on goodwill tour of Asia



Emperor Akihito, who departs today on a tour of south-east Asia aimed at improving Japan's image in the region, will be the first reigning Japanese emperor to visit an Asian country
Page 4

MARKETS

STERLING
New York lunchtime:
$1.735
London:
$1.7335 (1.745)
DM2.915 (2.9125)
FFr9.9375 (9.9125)
SFr2.54 (2.5325)
Y231.0 (231.75)
£ index 91.0 (91.0)

GOLD
New York: Comex Dec
$356.3 (357.2)
London:
$352.75 (351.85)

N SEA OIL (Argus)
Brent Nov
$20.525 (20.725)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.6805
FFr5.726
SFr1.464
Y133.185
London:
DM1.6825 (1.6685)
FFr5.7325 (5.68)
SFr1.465 (1.451)
Y133.25 (132.85)
$ index 64.8 (64.5)
Tokyo close: Y133.22

US lunchtime rates
Fed Funds: $5\frac{5}{16}$%
3-mo Treasury Bills: 5.31%
Long Bond: $102\frac{23}{32}$
yield: 7.88%

STOCK INDICES
FT-SE 100:
2,597.8 (+21.2)
FT Ordinary:
2,028.9 (+19.5)
FT-A All-Share:
1,257.74 (+0.7%)
New York lunchtime:
DJ Ind. Av.
3,028.62 (−0.45)
S&P Comp
387.18 (−0.53)
Tokyo: Nikkei
23,577.42 (+243.72)

LONDON MONEY
3-month Interbank:
$10\frac{5}{16}$% ($10\frac{5}{32}$)
Little long gilt future:
Dec $96\frac{3}{32}$ (Dec $96\frac{1}{4}$)

EUROPEAN NEWS

Combatants say full Yugoslav ceasefire is vital

By Judy Dempsey in Zagreb

THE leaders of Serbia, Croatia and the Yugoslav federal army yesterday agreed on the need for an "absolute ceasefire", on the eve of the resumption of the EC-sponsored peace conference in The Hague.

It remains unclear whether the army will pull out of Croatia, one of the Zagreb government's key demands, along with the withdrawal of Serb paramilitary units.

Tanjug news agency said the agreement came in talks at a secret location between General Veljko Kadijevic, defence minister, Mr Franjo Tudjman, the Croatian president, and Mr Slobodan Milosevic, the Serbian president.

Croatia will tell the EC conference that it will not cede any of its territory seized by Serb paramilitary units.

Mr Mario Nobilo, an adviser to Mr Tudjman, said yesterday Croatia would not accept any move by the EC to consolidate territorial gains made by Mr Milosevic in order to secure peace in Yugoslavia.

"Stability will not be achieved through propping up an authoritarian regime in Serbia and accepting those territories seized by force. That is a policy of appeasement. Democracy will never prosper in the region if this policy is pursued," he said in an interview.

Mr Nobilo acknowledged that Serb militants in Krajina, the self-proclaimed autonomous region in south-western Croatia, would fight rather than accept life in an independent Croatia, and he said Croatia was ready to offer a wide degree of political and cultural autonomy to the Serb minority in the republic.

The government of Croatia believes it is now in a position of military and political strength to argue its case in The Hague, following army desertions and the capture of army tanks.

Mr Nobilo said the ceasefire, agreed between the federal army and Croatia last Sunday, and which appears to be holding, has given the government in Zagreb an opportunity to "regroup its forces..."

The government, through the mediation of Mr Milorad Pupovac, a liberal Serb and head of the Serbian Democratic Forum in Croatia, will attempt to negotiate with Serbs in the border areas.

The success of the negotiations also hinges on stability in the neighbouring republic of Bosnia-Hercegovina. There, according to Bosnian officials, federal army and Serb paramilitary units are poised to use north-eastern Bosnia-Hercegovina as a bridgehead to link part of western Croatia's Adriatic coast, and Krajina, with the eastern towns of Vincovci and Osijek in Slavonia, eastern Croatia.

Reservist rebellion grows

By Laura Silber in Belgrade

EVIDENCE of the rebellion among Serbian army reservists grew yesterday when Borba, the Belgrade-based daily, lifted Serbia's media ban on reports of desertion.

Despite official statements that over 93 per cent of reservists in three Serbian towns had reported to local draft boards, antiwar activists claim at least 20 per cent have refused to fight.

More than 2,000 reservists who were mobilised in Kragujevac had abandoned their positions, said Borba.

A further 300 reservists from a battalion from Valjevo left Croatia after an army officer promised they would not be prosecuted.

Reservists complain that they are being sent to the front without training. "I was given a sniper rifle, which I have no idea how to use," said one deserter. He said many were sent without ammunition.

The army appears to be planning an aggressive campaign to stem further desertions.

A Georgian soldier is hugged by a comrade after escaping from opposition guardsmen who captured him in a shoot-out

Faxes and food parcels lift Albanian gloom

By Kerin Hope, recently in Korçe

A GREEK truck rumbles into the southern Albanian city of Korçe past a derelict brewery, a high school with broken windows a row of shuttered shops.

It is heading for Neighbourhood No.4 where 1,500 families will each receive forgotten luxuries like jam, evaporated milk and tinned peaches.

"We don't have the resources to do a lot but we want to cheer people up a bit and provide some extra calories," says an official from the government-funded Foundation for Repatriated Greeks.

From the smiles on people's faces as they sign for their parcels at what used to be the local Communist party office, it is succeeding.

Over the next three months, the foundation will distribute 200,000 parcels in central and southern Albania, as well as several thousand tons of flour, macaroni and powdered milk. Although the focus is on rural districts with an ethnic Greek population, the foundation includes towns and cities, like Korçe, where most residents are Albanian.

Albania's centralised economy has collapsed in parallel with its Stalinist political system, making severe food shortages inevitable this winter. Leaders of the opposition Democratic Party, holding the economic portfolios in a temporary coalition government with the Socialist (ex-communist) party, hope the European Commission's pledge to provide a six-month wheat supply will keep famine at bay.

But much more is needed. In Korçe, only 10 out of 50 buses are on the road because there are no spare parts. The city hospital, which serves a population of 250,000, is desperately short of antibiotics. There is no window glass, no paper for school exercise books. One woman said indignantly: "For the past year and more we haven't been able to find underwear."

The foundation co-ordinates Greek efforts to provide additional aid. More than 60,000 Albanians, mostly of Greek descent, have entered Greece legally over the past nine months. The government fears that if conditions in Albania become intolerable, thousands of illegal immigrants will pour across the border.

Korçe, like most urban centres, is controlled by Democrats, who want to revive the flourishing Greek-Albanian trading relationship of 50 years ago.

While the food parcels were being distributed, a group of northern Greek businessmen met local officials at a villa once used by Enver Hoxha, the former Stalinist dictator.

"We talked about their investing in an industrial bakery and modernising the beet processing plant here to produce enough sugar for the whole country," said Mr Ilir Manushi, the 35-year-old district governor.

"I feel hopeful about their intentions," he added, looking at his own parcel from Greece – a fax machine.

Georgian rebels defy ultimatum

By Neil Buckley in Tbilisi

ARMED opponents of Georgia's president, Mr Zviad Gamsakhurdia, were on a collision course with the government last night after they said they would not obey an order to lay down their arms by today or face arrest.

A government communiqué imposed the deadline after a night of sporadic shooting in which four people died and five were injured. Hospitals in the city were on full alert again last night in the expectation of more violence.

Speaking inside Georgia's TV centre, Mr Tengiz Sigua, the opposition leader, said the demand to disarm was nothing new. Mr Gamsakhurdia had given the same order to the national guard during August's failed coup in Moscow, but Mr Tengiz Kitovani, commander of the guard, had refused and had led a rebel unit into hiding outside Tbilisi.

"I am more than sure that his reaction will be the same now," Mr Sigua said. "If he disarms, this will be the start of mass repression, against which the national guard is our only guarantee."

A shooting incident in the early hours of yesterday in the Didube suburb of Tbilisi, in which two government militia men and one rebel guardsman died, provoked a war of words.

The government claimed it happened after 40 rebel troops surrounded an administrative building of the electricity supply system, with the intention of cutting off electricity to the city.

The opposition claimed the shoot-out occurred after a rebel guardsman, who was taking his sick wife to hospital, was arrested at a militia checkpoint and taken into the electricity control centre.

Government forces opened fire as opposition soldiers were attempting to secure his release.

In a separate incident, the opposition accused the government of provocation after two gunmen opened fire from an upper-storey window not far from the TV centre.

When rebel guardsmen seized the building, part of Tbilisi's Polytechnic Institute, they found a student who had allegedly been murdered by the gunmen.

The Georgian procurator's office is investigating both incidents.

Opposition leaders spoke to government officials by telephone yesterday morning, during which they read out their demands, and received a promise of negotiations. By last night, however, they had received no official response.

Embattled Yeltsin leaves feuding ministers behind

By John Lloyd in Moscow

MR Boris Yeltsin, the Russian President, yesterday departed for a sudden rest cure, leaving behind a Russian government in a state of revolt, feuding in the ranks of the democrats and renewed fears of civil strife.

Fears that his "holiday" may be related to his health were confirmed by Mr Theo Waigel, the West German finance minister, who said yesterday that his scheduled meeting with Mr Yeltsin had been cancelled on the advice of Mr Yeltsin's doctor.

Within the Russian government, opposition continues to mount against Mr Ivan Silayev, the acting Russian prime minister, who is also head of the committee for the management of the national (Soviet) economy. In his latter role, Mr Silayev had sought to rescind decisions taken by the Russian president, and agreed by him as premier, to bring all resources and industry under Russian control.

Mr Sergei Shakhrai, a Russian state councillor, said yesterday that Mr Silayev had "failed to work collectively", and accused him of favouritism and of financial and other regularities.

Mr Silayev, however, told a meeting of the committee of management yesterday that it was imperative to retain central control of the nuclear power industry "to safeguard the security of the people".

EUROPEAN NEWS

Bonn politicians condemn surge of racist violence

By Christopher Parkes in Bonn

THE German political establishment took itself and the population at large to task yesterday over the recent surge of violence against foreign workers and asylum seekers. Government, police and local communities were blamed in an emotional emergency Bundestag debate.

Mr Wolfgang Schäuble, the CDU interior minister, spread the guilt wider. "If we cannot find a better response to these people's problems...then we shall all be guilty," he said.

It was important, he stressed, that cross-party talks between national and regional political leaders in the chancellor's office tomorrow should make progress towards finding a solution.

Following reports of bystanders applauding weekend firebombings in Hoyerswerda, Saxony, and allegations of half-hearted intervention by some police, a succession of grim-faced speakers from all parties reminded local communities and police of their responsibility to protect the targets of neo-Nazi assaults.

No one should be deluded into thinking that the problem was confined to eastern Germany, Mr Schäuble said. There had been 20 arson attacks on immigrant housing in North Rhine-Westphalia this year.

Ms Cornelia Schmalz-Jacobsen, general secretary of the FDP, with an eye on world opinion, condemned the "festival atmosphere" among people watching the attacks in Hoyerswerda at the weekend said that 46 years after Adolf Hitler, the country found itself "skating on thin ice".

There was little fire to the debate, although Mr Jürgen Schmude, a former SPD justice minister, attacked government inaction. The ruling coalition talked about "abuses" of liberal asylum laws, but did nothing about it. This only served to encourage racists to step up their attacks, he said.

The government is divided on what action to take to control the flood of people seeking political asylum: the influx is now estimated to reach 250,000 this year alone, and to continue rising. It seems unlikely that suggestions of a change in the constitution, which has the most liberal asylum law in Europe, will be accepted.

Open-border tenders for utilities

By David Buchan in Brussels

PUBLIC bodies in the European Community's water, energy, transport and telecommunications sectors would have to invite cross-border bidding for the services they buy from the start of 1993, if EC governments adopt a directive proposed by the Brussels Commission yesterday.

The proposed move would complete Brussels' drive to break down national protectionism by opening up public procurement to competitive tender, chiefly through advertisements placed in the EC's Official Journal.

The Commission estimates at Ecu145bn ($176bn) the value of services which all public bodies, or private companies enjoying special rights, bought in the EC last year.

But the Commission is proposing exceptions to the services directive, which complements one agreed last year on supplies and equipment in the the four sectors concerned. Cross-border tendering would only be required for telecommunications service contracts above the value of Ecu600,000, with an Ecu400,000 threshold for the three other sectors. Spain, Portugal and Greece would also be allowed grace periods beyond 1993.

Portuguese poll looks like a two-horse race

Patrick Blum reports on a choice between more of the same and a dash of socialism

ON OCTOBER 6, Portuguese voters go to the polls in a general election that will decide how the country faces the challenge of having its markets opened up fully to international competition under European Community rules.

The choice for voters is essentially between two very different styles of government. They can choose either a continuation of the current social democratic (PSD) administration dominated by Mr Anibal Cavaco Silva, the prime minister, with its emphasis on liberal market economics and private enterprise, or the softer socialist alternative which promises greater state participation and more resources to reduce inequalities.

The 20-day election campaign has become increasingly fierce and personalised. Claims and counter-claims have flown between the parties as the rhetoric of the campaign has sharpened.

The immediate effect has been to polarise opinion between the right-of-centre social democrats and the socialist (PS) opposition, leaving the smaller parties fighting for survival. Mr Cavaco Silva has warned the country faces chaos unless he is re-elected. He says Portugal cannot afford the instability of a minority government.

The opposition says that Mr Cavaco Silva is seeking ever more power and is secretly preparing a tough austerity plan, will raise taxes and reduce pensions benefits.

Mr Cavaco Silva, who runs his party and government firmly from the top, dismisses these attacks and points to his government's achievements.


Cavaco Silva: clear majority

He says Portugal has enjoyed Europe's highest growth rates for the past four years and its lowest unemployment rate. Standards of living have risen, the country has been modernised and the economy liberalised to encourage private enterprise. Portugal is "on the right road" towards bridging the gap with its richer European partners, the prime minister says.

The economy has grown by an average 4.5 per cent since 1987, with nearly full employment. Mr Cavaco Silva can claim credit for providing a propitious economic environment although much of the improvement is because of Portugal's 1986 entry into the EC and receipt of substantial EC aid.

Mr Jorge Sampaio, the socialist leader, counters that social inequalities have worsened. Portugal's new middle classes have enjoyed the economic boom with rising living standards but many people, particularly in the regions, are worse off, he says. The opposition also charges that health and education have been undermined by lack of resources, and that housing is in crisis. Portugal's economy has experienced "growth without quality", and traditional sectors such as textiles and agriculture are unprepared for the challenge of European integration.

With characteristic self-confidence, Mr Cavaco Silva has pinned his and his party's future on winning another absolute majority.

He says he will not head another government unless he wins a "clear" majority which he defines as half the deputies in the assembly plus one, requiring around 44 per cent of the vote. He says he will take his party into opposition rather than lead a minority or coalition government.

In the 1987 election, called after Mr Cavaco Silva's 18-month minority government lost a censure motion, the PSD won 50.2 per cent of the vote and 148 assembly seats out of 250. It was the first time a party had won an overall parliamentary majority since the 1974 revolution. The socialists trailed with 22.2 per cent of the vote and 60 seats.

Opinion polls – which tend to underestimate the opposition's strength – point to a easy win for the ruling party, but the opposition could deny Mr Cavaco Silva his clear majority.

The socialists have improved their standing since the last election. Mr Sampaio did well in local voting in 1989 and has strengthened what was a weak and fractured party. Recent polls give the socialists about 37 per cent of the vote. But Mr Sampaio has found it hard to fight back against the incumbent who has the full government and PSD propaganda machines behind him and who finds help in many sectors of the media including state-owned television.

The opposition leader says minority governments need not be unstable, and he is prepared to lead one if necessary.

Mr Diogo Freitas do Amaral, leader of the small conservative CDS party, favours a coalition to force the government to take account of a broader range of opinion. The CDS, which has close ties to the church, has seen its popularity decline sharply in the 1980s. The party hopes to win the votes of those on the right who say they are unhappy with Mr Cavaco Silva.

A question mark also hangs over the future of the hard-line communist party (PCP), though it has been more resilient than its critics may have hoped. Its share of the vote has declined from 18 per cent in 1983 and 12.2 per cent in the last election.

It retains orthodox Marxist views, though the leadership's initial support for the Soviet coup caused an unusually public outburst of criticism from reformers. The issue was pushed aside once the campaign started. It could win about 8 per cent of the votes according to the polls. The PCP wants an alliance with the socialist party but Mr Sampaio rejects the idea, calling on communist supporters to vote for the socialists as the only way to defeat the ruling party.

EC urged to unite on arms sales policy

By David White, Defence Correspondent

THE European Community should adopt a common policy on exports of arms and dual-use technologies, says a report published today.

The UK-based Saferworld Foundation, an independent think-tank and pressure group, warns that despite proposals for tighter controls in the wake of the Gulf war "the past few months have witnessed the beginnings of a renewed arms race in the Middle East region and beyond".

It questions the commitment of big exporters such as Britain and France to overcoming obstacles to an effective international regime.

The report underlines differences in the regulatory guidelines applied by EC countries, with variances in products and countries subject to control as well as in the enforcement of "end-user" certificates, designed to prevent re-export.

It warns that completion of the single European market will enable goods and technologies to pass freely to the member countries with the least stringent policies and be exported from there to "undesirable" destinations.

"Unless all EC states harmonise their controls over arms exports at a high enough level, inconsistencies and weak links will undermine the present system of national control, which itself is often inadequate," it says.

The EC should define groups of client countries to which different export rules would apply.

Regulating Arms Exports – A Programme for the European Community, Saferworld Foundation, 82 Colston Street, Bristol BS1 5BB, £6.50 (individuals), £16.50 (institutions).

France boosts training courses

THE French government is to create 20,000 training courses from this autumn in an attempt to encourage more young people to take apprenticeships, the shortage of which is seen as a weakness for the country's industrial competitiveness, William Dawkins writes from Paris.

The French workforce includes 222,000 apprentices, compared with 1.8m employed in Germany whose record on apprenticeship is viewed with envy by Mrs Edith Cresson, the French premier. The government has earmarked FFr200m (£20.1m) for the package.


Edith Cresson: envy

Telephone tap compromise move

The German government yesterday presented a compromise which it hopes will allow passage of a controversial law to let it tap telephones and intercept letters in its battle to prevent illegal exports.

Mr Juergen Möllemann, economics minister, said the government believed such measures were necessary to stop German companies making illegal exports to crisis areas. But it was willing to report such activities to state prosecutors, who could co-ordinate government surveillance of companies suspected of circumventing export controls.

Mr Möllemann said he hoped the government's concession would allow the revised legislation to pass through the upper house of parliament, which will consider it tomorrow. Some parliamentary sources said they did not think the upper house would accept the compromise.

The measures, which would allow Bonn to spy on companies suspected of planning illegal exports, are part of a legislative package aimed at tightening export controls.

Treuhand sells gas network

THE Treuhand agency has signed contracts privatising the remaining 55 per cent of east Germany's gas network which it still holds, writes Leslie Colitt in Berlin. The largest tranches – 15 per cent each – went to Wintershall, a subsidiary of the chemicals giant BASF, and to a holding company of east German cities.

British Gas obtained a 5 per cent stake as did Elf Aquitaine of France, Statoil of Norway, the Soviet Gasprom and Erdöl-Erdgas Gommern of Germany. The Treuhand raised DM550m ($329m) from the sale.

Mitterrand slips

French President François Mitterrand's popularity has dropped to a five-year low, with an approval rating of only 46 per cent, according to a poll published yesterday, Reuter reports.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

UN tries to end nuclear team deadlock

By Lionel Barber and Michael Littlejohns in New York

MR JAVIER Pérez de Cuéllar, the United Nations secretary-general, yesterday intervened in an effort to break the impasse in Baghdad where Iraqi troops were detaining a UN weapons inspection team.

He summoned Mr Ahmed Hussein, the Iraqi foreign minister, but officials said they were unable to report immediate progress towards a settlement. Mr Pérez de Cuéllar said he was seeking "through diplomatic channels" to obtain the release of the 44 UN inspectors surrounded by Iraqi troops.

The UN team remained in a Baghdad courtyard for a second day with Iraqi officials refusing to let them move unless they handed back videotapes and documents found in a search for Iraq's nuclear secrets. The inspectors say documents they took from the building are the "administrative structure of Iraq's nuclear weapons programme". Iraq says they are personal files on employees. The secretary-general's intervention came as the Pentagon despatched 96 Patriot missiles and the first of 1,200 US Army troops from Germany to Saudi Arabia to operate them. US President George Bush announced last week he would provide the Saudis with the missiles for defence.

United Nations inspectors decontaminating each other after inspecting mustard gas shells in Iraq earlier this month

In Washington, General Colin Powell, chairman of the US Joint Chiefs of Staff, said the world was losing patience with Iraq, and the US already had enough air power in the Gulf to enforce ceasefire inspections if necessary. "The president is viewing this as a very serious matter. He has preserved all of his options," Gen Powell told a congressional hearing after a meeting with Mr Bush.

Mr John Major, British prime minister, reinforced the warning, saying in a Japanese TV interview: "The Security Council is determined to ensure that that nuclear capability is removed – and one way or another it will be removed." At the UN, Mr Pérez de Cuéllar's aides, when asked if there was a sense of crisis in his office, said there was concern but "at this stage" no feeling that the situation could not be resolved. Mr Pérez de Cuéllar would not be reporting on his meeting with the Iraqi envoy to the Security Council because his initiative was separate from that undertaken by the council through its current president, Mr Jean-Bernard Merimée of France.

Asked why the secretary-general was acting independently of the council, Mr François Jiuliani, his spokesman, said: "The UN inspectors are our employees and it is within the mandate and concern of the secretary-general."

Israel blames Iran for delays in hostage deal

By Hugh Carnegy in Jerusalem and Our Middle East Staff

ISRAEL yesterday accused Iran of failing to meet its commitments in the Lebanese hostage negotiations, and said it would not free any more Lebanese prisoners without further information on Israeli servicemen missing in Lebanon.

The Israeli statement underlined the obstacles still in the way of a final settlement of the hostage issue, despite the release on Tuesday night of Mr Jack Mann, a British captive, and Iranian predictions that a US hostage would also be freed soon.

Freedom for some 300 Israeli-held prisoners, including Sheikh Abdul-Karim Karim Obeid, a radical Shia Moslem cleric kidnapped by Israeli forces two years ago, is the key demand made by Islamic fundamentalist groups holding the remaining Western hostages.

The Israeli Defence Ministry said it was ready to continue to co-operate with Mr Javier Pérez de Cuéllar, the UN secretary-general, to secure a solution to the hostage problem.

Israel is holding out for further information on the fate of air force navigator Ron Arad, one of five Israeli servicemen still unaccounted for in Lebanon.

Israel believes Mr Arad, known to have been captured alive, to have been at one stage in Iranian hands. Mr Danny Naveh, a defence ministry spokesman, said Iran had failed to live up to commitments given under Mr Perez de Cuellar's hostage plan to provide clear information on Mr Arad.

He said Israel also wanted definitive word on the fate of Private Yossi Fink, a British-born soldier missing since 1986, before making another move.

Mr Uri Lubrani, Israel's chief negotiator, said Sheikh Obeid would be among the last to be freed. "It is clear that we will not contribute our share as long as our direct interests regarding our prisoners are not satisfied."

Mr Mann, the 77-year-old retired British pilot freed on Tuesday by Lebanese kidnappers, arrived in Britain yesterday to be greeted by a Second World War Spitfire performing a victory roll.

Mr Mann, who flew Spitfires in the Battle of Britain, saluted the aircraft at the Royal Air Force base in Lyneham, and his wife Sunnie told a welcoming crowd: "It's the most wonderful day of my life".

Squadron Leader Garth Manning, the chief medical officer aboard the Manns' RAF flight from Damascus, said Mr Mann was in "remarkably good shape when you consider he has been in a cell for 2½ years".

Mr John Major, the British prime minister, spoke of his delight at Mr Mann's release and said efforts would continue to win the freedom of Mr Terry Waite, the Archbishop of Canterbury's envoy who is the last remaining British hostage.

Mr Major has sent messages to the governments of Iran, Syria, Israel and Lebanon and to Mr Pérez de Cuéllar, thanking them for their help in securing Mr Mann's release and expressing that hope that other hostages will be freed.

Anyaoku promotes human rights role for Commonwealth

By Robert Mauthner, Diplomatic Editor

THE Commonwealth should adopt a higher profile in promoting democracy and human rights, even at the risk of appearing to intervene in the internal affairs of member countries, Chief Emeka Anyaoku, the organisation's secretary-general, said in London yesterday.

The Chief, who was addressing journalists on the Commonwealth Secretariat's latest biennial report, stressed that the Commonwealth must be given "new dimensions" in order to remain relevant.

Next month's meeting in Harare of Commonwealth prime ministers is due to discuss an "appraisal" of the organisation's future role by a group of 10 heads of government.

Chief Anyaoku clearly indicated that he did not want the South African problem to dominate the talks.

The virulent battles between Mrs Margaret Thatcher, the former British prime minister, and the other heads of government, dominated the last few summits to such an extent that the Commonwealth looked like becoming a one-issue forum.

The secretary-general singled out four main areas where the association could become a much more effective instrument than it had been in the past: political dialogue, economic development, the promotion of "good governance" and human resource development.

The really new element in Chief Anyaoku's proposals was the emphasis on promoting democracy, good government and human rights which he said were "central to Commonwealth principles".

The changed international environment favoured stronger action in this field, of which the international intervention to provide a "safe haven" for the Kurds in Iraq was a good example.

"You could get to the point where the international community could interfere in the internal affairs of a country on the basis of consensus."

Having established that the problem of South Africa was no more than one of several important issues to be dealt with in Harare, Chief Anyaoku nevertheless emphasised that "sanctions pressure would continue to be necessary for ensuring a successful final outcome in South Africa."

Foreign troops restore calm to Zaire

FOREIGN troops restored calm to Zaire's capital Kinshasa yesterday after two days of riots and looting killed at least 30 people, Reuter reports from Kinshasa.

France as well as Belgium, the former colonial ruler, flew in hundreds of troops to protect their nationals, whose homes and businesses were stripped by mobs led by mutinous soldiers angered at not receiving a pay rise.

President Mobuto Sese Seko, target of widespread protests, called the riots the worst in the country's history and the government clamped an overnight curfew on the devastated city.

As Belgian commandos began ferrying hundreds of Belgian nationals from Zaire to Congo across the Zaire River, French and Belgian officials strongly rejected criticism that they had intervened to prop up the administration of Mr Mobutu, Zaire's pro-western strongarm leader.

The French Foreign Ministry said some of the troops were being redeployed to protect foreigners in the copper-rich Shaba province in the south. The US announced in Washington that it would provide transport for the French troops in Zaire and for the protection and safe evacuation of Americans. The Pentagon said the airlift did not constitute an involvement in the internal affairs of Zaire. Portugal said it was sending a small military contingent to accompany two planes to neighbouring Congo to assist in evacuating Portuguese nationals, who comprise one of the largest foreign communities in Zaire.

Mr Mobutu said on Tuesday night the riots had been instigated by "seditious tracts" circulated among troops and he called on soldiers to return to barracks.

However, Zairean opposition groups said the violence arose from frustration at the slow pace of a national conference which was supposed to introduce democratic reforms, but has been deadlocked since it opened on August 7.

Mr Mobutu said he had called a cabinet meeting and officials were expecting him to introduce changes in the government.

A TOTAL OF 49 people have been killed and hostages, including civilians, seized in an army mutiny in northern Chad, according to state-run radio, Reuter reports from Ndjamena.

The government of the central African country blamed the violence on troops loyal to ex-president Hissene Habré, who was ousted last December by a rival military force.

India to extend job reservation

By David Housego

INDIA'S Congress administration yesterday announced plans to reserve almost 60 per cent of central government jobs for those from lower caste and poor families.

The measures extend job reservation in central government to include the so-called "backward castes" (farmers and artisans) and to poor families from the upper castes. Currently 27 per cent of jobs in central government are reserved for "untouchables" and students from tribal families in an effort to compensate for the disadvantages of birth.

Similar proposals last year by the then government of Mr V.P. Singh provoked widespread rioting and violence across north India by upper caste students fearful at the loss of job opportunities. The upper castes have traditionally dominated the civil service which provides opportunities for patronage and for taking bribes.

Mr P.V.Narasimha Rao, the prime minister, hopes to have avoided this by consultation with other political parties and by providing a quota of jobs for poor upper caste families. The new measure – unlike Mr Singh's – will require backward caste students to demonstrate low income before they are eligible for a reserved post.

The government's compromise formula is none the less a populist measure that runs counter to the market-oriented philosophy that has governed its recent economic reforms.

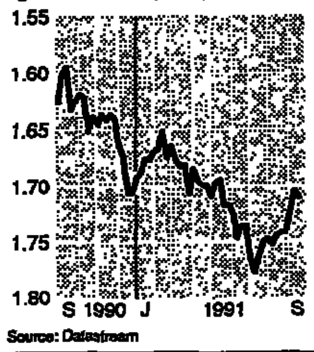
Senior officials yesterday sought to water down the impact by saying the measures would take a long time to implement. In addition, cuts in government expenditure to prune the fiscal deficit mean there will be fewer vacancies in the civil service.

The timing of the measure has been determined largely by the Supreme Court which is considering whether job reservation above 50 per cent in central government violates the constitution. The court asked the government what level of reservation it sought.

In proposing an increase to an unexpectedly large 59.50 per cent the government hopes to reap electoral benefit in key by-elections next month. In Uttar Pradesh and Bihar job reservation for the poorer castes is a big issue.

New Zealand Dollar

against the US$ (NZ$ per US$)



Source: Datastream

New Zealand markets react to Bank move

By Terry Hall in Wellington

THE New Zealand Reserve Bank yesterday appeared to bow to mounting pressure to ease monetary policy in the face of a rapidly deteriorating economy. The move sparked turmoil in financial markets, with interest rates tumbling, the stock market rising sharply, and the dollar easing by a cent to 57.4 cents against the US dollar.

The NZSE-40 index rose 26.21, or 1.9 per cent, to 1,400.18.

Dr Don Brash, the central bank governor, announced from New York that he was easing monetary conditions because evidence had mounted over the last two months that inflation was falling faster than the bank had expected in its August forecasts. It now believed that inflation could fall to 2 per cent this year.

The announcement was seized on by the markets as the long-awaited response to the tough August budget.

The hectic day's trading was further encouraged by political developments, in particular the meeting in New York between Mr Jim Bolger, the prime minister, and US President George Bush, which it is hoped will ease New Zealand's trading difficulties with the US.

'Thousands held illegally in China'

HUNDREDS of thousands of people are arbitrarily arrested and illegally incarcerated every year under China's system of administrative detention, Amnesty International reports today, writes Yvonne Preston in Beijing.

The system operates often at the whim of police and local officials, without any involvement by the courts or any effective appeal process. People are picked off the streets and detained on suspicion of "roaming from place to place committing crimes" or for vaguely defined forms of "anti-social" and "anti-socialist" behaviour.

Detainees – mostly vagrants, unemployed, religious and political dissidents – may be held in degrading conditions for years without trial, the human rights agency says in its report, Punishment without Crime. They face torture, and semi-starvation and beatings.

Dos Santos urges UK to help Angolan economic recovery

By Robert Mauthner, Diplomatic Editor

PRESIDENT Jose Eduardo dos Santos of Angola yesterday addressed an urgent appeal to the west, and Britain in particular, to help his country overcome its post-civil war economic crisis.

After urging British industrialists on Tuesday to participate in Angola's reconstruction programme, the president gave another pledge yesterday that foreign businessmen would be offered favourable incentives for investments.

The ending of the civil war with a peace agreement in the early summer, combined with the implementation of a market economy and an economic stabilisation programme, should be seen as an irreversible process, he told members of the Royal Institute of International Affairs in London.

President dos Santos in Downing Street on Tuesday

Both in his speeches during a two-day visit to Britain and in an interview with the Financial Times, Mr dos Santos outlined the kind of advantages which foreign investors could expect to find in Angola.

A new foreign investment law provided for the repatriation of profits and dividends, guarantees for the property of investors and a number of tax exemption or tax reduction measures. The government's economic reform programme included, in particular, the liberalisation of prices, the promotion and privatisation of small and medium-sized companies, the restructuring and decentralisation of the banking system and the creation of new banks with foreign capital.

Priority was being given to rationalising administrative services and streamlining the state enterprise sector.

The areas in which the authorities would particularly welcome foreign participation included the oil industry, where British Petroleum was already active, agriculture, transport, the power and water industries and large infrastructure projects in general.

In talks on Tuesday with Mr John Major, the UK prime minister, the president made a special appeal to Britain and western industrialised nations in general to facilitate a rescheduling of Angola's mounting foreign debt. This totalled nearly $6.5bn (£3.7bn) last year, only $1bn less than the country's gross domestic product.

A member of the International Monetary Fund since 1989, Angola is aware that any decision by international banks and the Paris Club of creditor nations to reschedule its debt is dependent on IMF approval of its economic stabilisation plan. A mission from the Fund is currently reported to be in Angola for discussions on the plan with the country's authorities.

The president refused to be drawn very far on the political situation in his country, other than to stress that next year's elections would be "free and fair" and would be monitored by international observers.

However, it had not yet been decided whether parliamentary and presidential elections would be held simultaneously or separately.

Imperial couple break new ground with Asian tour

By Stefan Wagstyl in Tokyo

EMPEROR Akihito and Empress Michiko of Japan leave today on an official visit to south-east Asia, the first by a reigning Japanese emperor to an Asian country.

The Imperial couple will tour Thailand, Malaysia and Indonesia on an 11-day goodwill mission aimed at improving ties with nations which still harbour memories of Japanese military expansion during the Second World War.

The people of these three countries and Japanese alike are keenly interested in what reference the Emperor makes to the war and in what terms he couches an apology – if any.

Last year, when South Korean President Roh Tae Woo visited Tokyo, Emperor Akihito told him unambiguously that he deeply regretted "the sufferings your people underwent during this unfortunate period which was brought about by my country".

This went considerably further than a statement in 1984 by Emperor Hirohito who referred simply to "the unfortunate past" without specifying who had been responsible for making it unfortunate.

Unlike China and South Korea, the south-east Asian states have not demanded an apology for the war from Japan.

But anti-Japanese sentiment persists and is particularly strong among older Chinese living in Malaysia, who remember the brutality of Japanese soldiers, and among older Indonesians, many of whom were pressed into forced labour.

Feelings inspired by the war are less strong in Thailand, since the country was not absorbed into Japan's sphere of control.

Modern Japan's economic success provokes mixed feelings in the region – the welcome accorded to massive Japanese investment is tinged by concern at becoming economically dependent.

In 1974, during a visit to the region by Mr Kakuei Tanaka, the then Japanese prime minister, there were violent anti-Japanese demonstrations in Bangkok and Jakarta by protestors objecting to "economic invasion". Since then, however, visits by Japanese ministers have mostly gone smoothly and resentments seem to have faded.

At a rare press conference last week, Emperor Akihito was asked about the war and replied: "Looking back on the past, since the war Japan has been determined to live as a peaceful nation."

He said he hoped Japan's efforts to contribute to the international community would be understood and mutual relations would deepen.

The visit follows months of debate inside the Japanese Ministry of Foreign Affairs about where Emperor Akihito should go on his first foreign visit since his accession in 1989. Unlike the British Royal Family, the Imperial Family members travel abroad on official visits only rarely. Emperor Hirohito, the first Emperor to go abroad, went just twice – once to the US and once to Europe.

In the light of these two trips, Foreign Ministry officials felt Emperor Akihito had to visit Asia on his first visit. China, the source of much of Japan's traditional culture, South Korea and the Philippines might have been logical choices, since they are closer than south-east Asia. But these countries were ruled out since they suffered most from Japan's wartime aggression.

AMERICAN NEWS

Senate defies Bush over jobless benefits

By George Graham in Washington

THE US Senate has passed a bill to extend benefits for the unemployed, setting the scene for a battle of wills with President George Bush.

Mr Bush has promised to veto the $6bn (£3.4bn) measure, arguing it would represent an expensive and ineffective breach of budget discipline.

The bill passed the Senate and the House of Representatives with a majority of more than two thirds. This is enough for the Democrat-dominated Congress to inflict its first big defeat on Mr Bush by overriding his veto, unless the president can win rebel Republican senators back to his side.

The bill is similar to a measure sent to Mr Bush in August, which would have extended unemployment benefits by between seven and 20 weeks beyond the standard 26 weeks, depending on the rate of unemployment in each state.

Democrats have used a study by the Centre on Budget and Policy Priorities, a liberal Washington policy group, to argue that, although unemployment now appears to have stabilised at about 6.8 per cent, 1.8m people exhausted their benefit entitlement in the first seven months of this year.

Last August the president signed the bill but refused to make the declaration of emergency needed to bring it into effect.

The new Senate bill would allow Mr Bush to use the same tactic, but the House version would automatically declare the emergency. If this version prevails in a Senate-House conference, some of the 13 Republican Senators who backed the bill this week may reverse their votes.

But the Democrats have already won one round in the battle. In August the administration argued the recession was over, so the extension of benefits was not needed; this time it implicitly acknowledged the continuation of the recession's effects by backing a more limited proposal by Senate Republican leader Robert Dole to extend benefits by 10 weeks.

If Congress fails to override the presidential veto, some Democrats may seek a third clash with Mr Bush. They might try to attach the measure to a spending appropriations bill needed to allow the government to function beyond September 30 – with the threat that federal agencies might have to close if the president again vetoed the measure.

US home sales and orders for durable goods decline

NEW orders for durable goods fell 3.8 per cent last month, partially reversing a large gain in July, the Commerce Department said yesterday, writes Michael Prowse in Washington.

Separate figures showed a 2.1 per cent decline in sales of existing homes, further evidence that the weak housing recovery is losing momentum.

Wall Street interpreted the decline in orders – a volatile series – as a reaction to a record 11.7 per cent surge in July, rather than as a fresh sign of weakness. The decline left orders 12 per cent above their March trough but still fractionally below the level this time last year.

Last month's softness mainly reflected weakness in aircraft orders, the erratic sector which led the surge in July. Excluding transportation, orders were down 1.6 per cent last month.

Last month's drop in sales of existing homes followed a revised 7.5 per cent decline in July. The National Association of Realtors said the fall reflected uncertainty over the timing of a recovery, with owners unwilling to trade up to more expensive properties.

Banks to meet over Brazilian debt plan

By Christina Lamb in Rio de Janeiro and Tracy Corrigan in London

A NEW round of negotiations between Brazil and its creditor banks begins in New York next week to discuss the banks' counterproposal for the restructuring of the country's $52bn (£29.8bn) commercial debt.

The banks have been broadly favourable to a Brazilian proposal, made on August 21, which based restructuring on the creation of Brady bonds – as used in the case of Mexico and Venezuela.

But the banks are concerned with the failure of the Brazilian plan to include rolling interest guarantees. Under the scheme, US Treasury zero coupon bonds would be used as collateral for the par and discount bonds into which Brazil's debt would be converted.

Brazil only offered, however, to back repayment of the par and discount bonds at their maturity. Mexico and Venezuela both gave interest guarantees of 18 and 14 months respectively in their debt restructuring.

Mr Pedro Malan, Brazil's chief debt negotiator, said Brazil had no "theoretical or ideological objection" to longer term interest guarantees but "we just don't have the money, and we have shown them [the banks] figures to prove it."

The other main change elaborated in the banks' counterproposal is for a greater discount on exchange of existing debt for 30 year bonds paying interest at 13/16 above the London interbank offered rate.

Brazil proposed a discount of 37.5 per cent, compared to Mexico's 35 per cent and Venezuela's 30 per cent. The banks have asked for 32.5 per cent. One banker said: "We are prepared to be flexible but Mexico is the base." The banks have also asked for a higher coupon on the 30 year par bonds than the 4.8 per cent offered by Brazil. They have suggested 5 per cent.

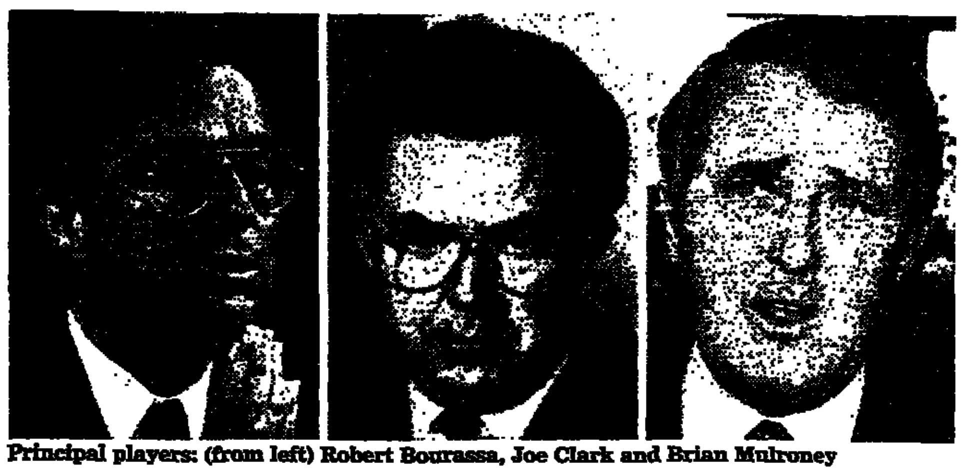
Brazil is hoping an agreement with the IMF will soon be announced, which would boost negotiations with the commercial banks.

Economic unity threatens Ottawa reforms

Constitutional change could be jeopardised by trade deregulation, writes Bernard Simon

MR Brian Mulroney, the prime minister, has thrown a highly inflammable ingredient – a bid to unify trade and economic policy – into the long-running debate over whether francophone Quebec should remain part of the Canadian family.

Most of the 28 points in Mr Mulroney's latest constitutional blueprint, tabled in the House of Commons on Tuesday, seek to address either Quebec's concern that it be given adequate powers to protect its French character, or to allay the fears of the other nine provinces that Quebec's gain will not be their loss.



Principal players: (from left) Robert Bourassa, Joe Clark and Brian Mulroney

Ottawa proposes to meet the concerns by transferring a raft of extra responsibilities to the provinces. By dint of being recognised as a distinct society, Quebec will, for example, have greater control over immigration and cultural programmes. Other provinces wanting similar powers will get them, and more.

Aboriginal people, who have grown into a political force to be reckoned with over the past few years, will be given some form of self-government within the next 10 years.

But as a counterweight to the growing clout of the provinces and other interest groups, the government has suggested a sweeping deregulation of trade and economic policies. The liberalisation, if it comes to fruition, would be as significant for Canada as 1992 is for members of the European Community.

Under the Mulroney plan, parliament would be empowered to dismantle specific inter-provincial trade barriers, provided it has the agreement of any seven provinces representing 50 per cent of the population. New curbs on the movement of goods, services, people or capital would be outlawed from July 1995.

Any province opposed to free trade would be allowed breathing space of up to three years, but then only with the approval of 60 per cent of the members of its own legislature.

The plan for a more close-knit economic union tackles what many consider a key reason for Canada's poor record over the past decade in the international productivity and competitiveness league. The federal government has estimated the provinces have erected about 500 non-tariff barriers, which in many cases are more restrictive than those which apply to imports from foreign countries.

For instance, while people in Ontario can buy French and California wines, government-owned liquor stores do not stock wines from British Columbia. Doctors, lawyers and even trucks cannot move from one province to another without a cumbersome licensing procedure. All provinces grant generous tender preferences to suppliers within their borders.

Within hours of the constitutional plan being published on Tuesday it was clear the economic proposals will be just as divisive as the political blueprint, if not more so; any move to lower inter-provincial trade barriers are bound to upset hundreds of special interest groups throughout the country.

Mr Lucien Bouchard, leader of the separatist Bloc Quebecois, complained that economic decisions could be taken out of Quebec's hands if Ottawa and the other provinces decided the francophone province's policies were not in their interests. "Not even Pierre Trudeau [who was reviled among Quebec nationalists] would have dared do this," Mr Bouchard said.

On the political front, Quebec nationalists have been quick to criticise the latest package for giving insufficient weight to the recognition of Quebec as a "distinct society."

Ominously, the early critics have included some members of Quebec's ruling Liberal party. The Liberal leader and provincial premier, Mr Robert Bourassa, was due to spell out his initial reaction late yesterday to Ottawa's proposals.

Mr Bourassa, who has one of the most sensitive political noses in the country, will be careful not to reject the plans. But with both his party and the province at large apparently divided, he is unlikely to withdraw the threat of an independence referendum, due to be held by October 1992.

For the next five months, Canadians both in and outside Quebec will be absorbed in dissecting the package. A large parliamentary committee will travel around the country holding public hearings, from which the government hopes a broad consensus will emerge.

The risk is that a tug at any one part of the carefully crafted package will unravel other parts. Pleas and complaints from special interest groups could drown out the desire of most Canadians to put the arcane business of writing a constitution and the wrangling over Quebec's role in the federation behind them.

Unlike the Meech Lake accord, which required unanimous ratification by the provinces, the latest measures need to be approved by only seven provinces, again representing at least 50 per cent of the population.

But the government is girding itself to bring the long-running constitutional debate to a more decisive end. Mr Joe Clark, the constitutional affairs minister, announced this week that he would table legislation within the next few months empowering the government to hold the first national referendum since a vote in 1942 on conscription.

Argentina and UK ease curbs on military activity

By John Barham in Buenos Aires

BRITAIN and Argentina took another important step towards normalisation of relations yesterday when diplomats signed new accords substantially reducing military restrictions imposed by Britain in the South Atlantic after the 1982 Falklands conflict.

The ceremony took place in advance of today's meeting between Mr Douglas Hurd, Britain's foreign secretary, and Mr Guido di Tella, his Argentine counterpart, at the UN in New York. They will discuss issues such as oil exploration around the islands, control of the region's substantial fish stocks and British investments in Argentina's ambitious privatisation programme.

Mr Juan Carlos Olima, Argentine assistant foreign minister, said the accords "are a product of the increase in reciprocal confidence in military matters. They are a substantial advance in normalising relations with Great Britain." The two countries resumed full diplomatic relations a year ago.

A British diplomat stressed that nearly all air and sea movements were now subject to standard international accords. He added the agreement was further recognition that "relations with Argentina are improving and that the behaviour of Argentina's military is also improving".

Under the accords, both countries' navies and air forces must notify each other in writing 14 days in advance of large military manoeuvres within 80 miles of the coasts of Argentina or the Falkland Islands and other British possessions in the South Atlantic. Only 48 hours' notice is required for combat vessels approaching within 15 miles of the coast. Such approaches will be agreed by mutual accord.

Previously, 25 days' notice was needed for a broader definition of military activity over a vast area of the South Atlantic. Furthermore, all navy ships had to give 48 hours' notice before coming within 50 miles of the islands. Military aircraft could not come within 70 miles without prior notification.

Despite its defeat in the war, Argentina continues to claim sovereignty over the islands. Mr Olima said the accord in no way recognised British sovereignty over the Falklands and added Argentina would continue to push for a reduction in Britain's military presence there.

Also yesterday, Argentina and Britain agreed regular flights between Buenos Aires and Port Stanley by a Uruguayan airline for the first time since the war. The Falkland Islands immigration department, however, refuses to issue visas to Argentine citizens.

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Envoys give final push to Uruguay Round

By William Dullforce in Geneva

THE PROSPECTS for completing the Uruguay Round trade talks have been enhanced by the posting to Geneva of top trade officials from the European Community, the US, Canada and Japan, diplomats said yesterday.

Their presence together with the announcement by Mr Arthur Dunkel, director general of the General Agreement of Tariffs and Trade (Gatt), that draft agreements on all areas had to be tabled by the beginning of November was moving the talks out of the doldrums ushered in by the breakdown at the world trade ministers' meeting in Brussels last December.

"We have been instructed by our political masters to start the final phase of the talks," Mr Hugo Paemen, EC chief negotiator, said yesterday. The priorities had been fixed at the summit meeting in London in July where the leaders of the Group of Seven industrialised countries had pledged to finish the Round by the end of the year. Mr Paemen has joined Mr Warren Lavorel (US), Mr Germain Denis (Canada) and Mr Minoru Endo (Japan).

The G7 summit communiqué listed agriculture, market access, services and intellectual property as the areas where progress was most needed but Mr Paemen said negotiators had agreed to work for "the best solutions for everybody" in all areas.

On the crucial farm issue, Mr Paemen said EC officials were ready to move into final negotiations as soon as they had a political decision from ministers. Discussions on the technical aspects of agricultural reform had given negotiators the instruments they needed. The US could no longer hide the fact that, like the EC, it had domestic problems with farm reform.

The Dutch, who hold the EC presidency, had arranged an informal meeting of trade ministers at The Hague on October 11-12 at which the overall EC strategy for the final phase of the Round would be discussed, Mr Paemen said.

Even Norway fails test of the 'liberal' trader

By William Dullforce

NORWAY, a founding member of the General Agreement on Tariffs and Trade (Gatt) and a strong supporter of an open world trading system, finds its trade policies and practices faulted on several counts in a report by the Gatt secretariat released yesterday.

In general, Gatt gives Norway full credit for running a liberal trade regime and highlights Oslo's commitment to observing Gatt rules. Unlike the EC and the US, Norway has rarely resorted to anti-dumping action against imports or made use of Gatt's safeguards to protect its producers against surges in imports.

Predictably, however, the secretariat finds "a marked difference" between its agricultural and industrial policies. While most manufacturing is open to international trade, in agriculture a network of import restrictions and supports, which provides a high level of protection at considerable cost to the state budget and consumers, is described.

Less predictably, Gatt also states that most services and one or two manufacturing activities are not sufficiently exposed to foreign competition. Questions are raised about state support for industry, public procurement practices, the type of tariffs and the excise taxes used to implement environmental and social policies.

The report says that while Norway supports Gatt's non-discriminatory most-favoured-nation principle, some two-thirds of its imports are given preferential tariff treatment under trade agreements with the EC and the European Free Trade Association (Efta).

Many of these strictures were contested by the Norwegians during discussion of the report in the Gatt council which ended yesterday. Mr Jon-Ivar Naalsund, secretary of state for foreign affairs, denied that services were not exposed to foreign competition: the contention was certainly not true of shipping, which accounts for 60 per cent of Norway's services exports, of coastal shipping, tourism, telecommunication, audiovisual, construction and financial services.

Gatt's report delineates the drastic change in Norway's trade pattern since it became an important oil exporter in the 1970s and the painful economic adjustment it has had to make since oil prices declined in 1986. Petroleum now accounts for more than 40 per cent of merchandise exports. Norway depends heavily on exchanges with the EC and the other Efta countries – developing countries provide around 8 per cent of imports and take 7 per cent of exports.

This concentration of trade within Europe is likely to increase, and in the discussion in the Gatt council, delegates tried to foresee the changes to Norwegian trade policy that might emerge from the EC-Efta negotiations on the establishment of a European Economic Area. Of particular interest was the EC's request for improved access to Efta markets for 72 farm products.

Compared with the value of its output, Norwegian agriculture is one of the most highly assisted sectors in developed country markets, according to the Gatt report. In 1990 farm support from the state budget amounted to NKr12bn ($1.8bn), equivalent to 111 per cent of the value added in farming. In addition consumers are taxed through high food prices. Norway also "shelters" its food, beverage and tobacco manufacturing industries.

In talks on the reform of world farm trade in the Uruguay Round, Norway has offered to change its system by converting existing import restrictions on all products apart from milk, reindeer, elk and venison into tariffs.

Japanese company joins $5bn Algerian project

By Steven Butler in Tokyo and Francis Ghilès in London

THE Japanese trading company, C.Itoh, has signed a co-operative agreement with Sonatrach, the Algerian state oil and gas monopoly, that could lead to participation in $5bn (£2.8bn) worth of gas development and gas processing projects.

The agreement underlines the long-term commitment to developing economic and financial relations with Algeria made by many leading Japanese trading houses and banks.

Developing its natural gas and liquefied petroleum production and exports is a key element in Algeria's policy of boosting its foreign income to reduce the burden of its heavy foreign debt repayments.

Further moves to refinance part of Algeria's medium-term commercial bank debt, two-thirds of which is held by Japanese banks, are the subject of negotiations between a group of international banks co-ordinated by Crédit Lyonnais and the Algerian authorities.

C.Itoh said yesterday the agreement had been signed this week by Mr Minoru Murofushi, C.Itoh president, in Algiers and was aimed at providing a more solid basis for C.Itoh's continuing involvement in business in Algeria. The company has been active in Algeria for 20 years.

Details of C.Itoh's precise participation in the various projects remains confidential, although the company is expected to participate in financing up to $2.5bn of projects, and will join in various construction activities.

The projects include the development and transportation of natural gas from fields in southern Algeria, construction of an ethelyne plant, and construction of a methanol plant, which may include manufacture of MTBE, the octane-boosting petrol additive for which demand is growing rapidly.

The projects are part a broad Sonatrach programme to develop Algeria's vast natural gas energy reserves.

India secures four ventures with US companies

By Nancy Dunne in Washington

INDIA'S Commerce Minister, Mr P.P. Chidambaram, yesterday in Washington announced four joint ventures – two signed and two confirmed – with leading American companies. The concluded deals are as follows:

■ A Rs220m (£4.9m) project with Ford to manufacture aluminium radiators, in which, according to an Indian spokesman, the American company would hold a 56 per cent equity share, Marutti, 39 per cent and Sony, 5 per cent.

■ A Rs850m venture with International Business Machines to produce computers, with IBM holding 50 per cent of the equity and providing Rs520m of the equity.

Mr Chidambaram said negotiations were underway with General Motors on a venture to build cars and car parts and that another proposed venture with Kellogg would make breakfast cereals.

● The British government has taken up in strong terms with India what it considers to be the unfair treatment of Rolls-Royce, the British aerospace group, over a $150m engine order, writes David Housego in New Delhi.

Air India disclosed over a week ago that it had asked General Electric of the US and Pratt and Whitney to submit fresh bids to supply 20 engines to power four Boeing 747-400s. The request to the US groups was a blow to Rolls-Royce which was told over a year ago that it had been selected.

Impact of Japan's EC auto deal

Kevin Done analyses estimates of the Japanese share of Europe's market

EUROPEAN Commission estimates made last year that Japanese vehicle producers' share of the UK car and light commercial vehicle market could jump to 29 per cent and that their share of the French and Italian markets could more than triple by 1999, underlie the recent understanding reached by Brussels and the Japanese Ministry of International Trade and Industry on Japanese car sales in the single European market.

The deal announced at the end of July contained no market share forecasts, unlike the calculations made by the Commission a year ago in an earlier stage of the protracted negotiations (see table).

At the end of July the Commission conceded publicly to Japan – and to the UK government – that there would be no limit on Japanese investment in the EC and that there would be "free circulation" in the EC for Japanese vehicles built in Europe, which effectively ruled out the setting of any formal limits on Japanese market shares.

The July deal entitled "Elements of Consensus" contained an assumption for the growth of the EC car and light commercial vehicle market to 15.1m in 1999 from 13.95m in 1989, which is unchanged, however, from the earlier forecasts produced in August 1990, except that the forecast period has been extended by a year from 1998.

When the original forecast with market shares was leaked a year ago it was denounced by Mrs Edith Cresson, now the French prime minister, but then French minister for European affairs, on the grounds that all future growth in the EC car market had been ceded to Japanese producers. While the forecast for the overall market has been left unchanged from the Commission's earlier forecast, Brussels did succeed in the July deal – with explicit Japanese agreement – in reducing its forecast for the level of Japanese exports in 1999 by 90,000 vehicles to 1.23m from the 1.32m assumed a year ago for 1998.

It has also reduced its figure for sales by the Japanese transplants (local assembly plants) in Europe to 1.2m from the earlier level of 1.5m, although this is its own internal "working assumption", that has not been accepted explicitly by the Japanese side. It has also declared its own aim that EC producers should benefit from one third of the growth of the market from its 1990 level.

The effect is that the overall Japanese share of the EC car and light commercial vehicle market "assumed" by the Commission has been reduced to 16.1 per cent in 1999 in the July understanding from the range of 17.5-18.7 per cent in 1998 indicated at the earlier stage of the negotiations last year. The Japanese share was 9.4 per cent in 1989.

Significantly, however, the figure agreed for Japanese direct vehicle exports to the UK in 1999 has been marginally increased to 190,000 in the July understanding from the earlier forecast.

This suggests the Commission still assumes the total share of Japanese cars in the UK could reach close to 29 per cent by the end of the decade from the level of 11 per cent in 1989. This has severe implications for existing UK producers, in particular Ford, which still accounts for close to a quarter of all UK new car sales and which has two UK car assembly plants.

For France, Italy and Spain the forecasts for direct Japanese vehicle imports have been modestly reduced during the negotiations. In line with the earlier forecasts, however, the Japanese share of the French vehicle market is still set to at least triple during the 1990s, while the share of the Italian market is likely to more than quadruple.

Japanese impact on liberalised EC market
Cars & light commercial vehicles††

	1989 actual	1998 hypothesis*	1998 %share*	1999 Forecast**
Markets:				
FRANCE	2,667,000	2,850,000	100.0	2,850,000
Japanese imports		162,000	5.7	150,000
Japanese transplants		155,000	5.4	
Total Japanese share	3.0%	317,000	11.1	
ITALY	2,519,000	2,600,000	100.0	2,600,000
Japanese imports		148,000	5.7	138,000
Japanese transplants		142,000	5.4	
Total Japanese share	2.0%	290,000	11.1	
SPAIN	1,376,000	1,475,000	100.0	1,475,000
Japanese imports		84,000	5.7	79,000
Japanese transplants		196,000	13.3	
Total Japanese share	3.0%	280,000	19.0	
PORTUGAL	252,000	275,000	100.0	275,000
Japanese imports		23,000	8.4	23,000
Japanese transplants		35,000	12.7	
Total Japanese share	14.0%	58,000	21.0	
UK	2,600,000	2,700,000	100.0	2,700,000
Japanese imports		189,000	7.0	190,000
Japanese transplants		594,000	22.0	
Total Japanese share	11.0%	783,000	29.0	
RESTRICTED MARKETS	9,414,000	9,900,000	100.0	
Japanese imports		608,000	6.1	
Japanese transplants		1,122,000	11.3	
Total Japanese share	5.5%	1,728,000	17.5	
UNRESTRICTED MARKETS	4,531,000	5,200,000	100.0	
Japanese imports		714,000	13.7	
Japanese transplants		378,000	7.3	
Total Japanese share	17.4%	1,092,000	21.0	
TOTAL EC (including eastern Germany)	13,946,000	15,100,000	100.0	15,100,000
Japanese imports	1,237,000	1,320,000	8.7	1,230,000
Japanese transplants		1,500,000	10.0	1,200,000†
Total Japanese share	9.4%	2,820,000	18.7	16.1%

*Internal European Commission projection, September 1990.
**EC/Japanese forecasts as basis for monitoring system, July 1991
†EC internal assumption, July 1991 Japan insists on no ceiling.
††Includes light commercial vehicles under 5 tonnes gross vehicle weight.
Source: European Commission internal documents.

UK NEWS

Engineers forecast delay in recovery from recession

By Andrew Baxter

THE UK ENGINEERING industry is close to the bottom of the recession, but a slow, steady recovery is unlikely to start until the second quarter of next year, according to the Engineering Employers' Federation.

The EEF's autumn Engineering Economic Trends report, published yesterday, predicts that a further 90,000 jobs will go over the next 12 months, on top of the 150,000 lost in the past year. This would reduce engineering employment to 1.84m, against 3m in 1980.

The report, which is broadly consistent with the latest survey of monthly trends from the UK employers' association, Confederation of British Industry, warns of the long-term effects of the recession, and reduced fixed investment in the UK economy. Sustained growth of the economy beyond 1992 will depend on an increase in the UK's manufacturing capacity.

EEF officials pointed to two significant underlying economic trends affecting the industry. First, since April 1990, the pound's rise relative to the Ecu had pushed costs up much faster than prices, indicating intense pressure on engineering companies' profit margins on export business.

Secondly, the federation takes issue with OECD forecasts on reductions in fixed investment in the UK economy for this year and next. The EEF predicts declines of 13 and 6 per cent respectively, against the OECD's 9 and 1 per cent.

The EEF believes the engineering industry will face one more quarter of declining output, mark time in the first quarter of 1992 and begin an upturn in the second quarter. Output growth will begin slowly and accelerate later next year.

The UK market, though, will remain at a low level next year, albeit higher than this year. Exports are forecast to grow faster than home sales.

Even so, the EEF believes engineering imports will begin to rise faster than exports from around halfway through next year, as the UK economy recovers. That would restore a trade deficit in engineering which the UK looks set to avoid this year for the first time since 1982.

The EEF noted that the performance of engineering exports, which began to rise sharply in the second quarter of this year, had been the principle reason for the reduced severity of the current recession compared with that of 1979-1982. Over that period, engineering exports fell by 9 per cent, against just 3-4 per cent this time.

Overall, engineering output volume has fallen some 9 per cent between the first half of 1990 and the second half of 1991. It is forecast to rise 2 per cent between the second halves of 1991 and 1992.

Looking ahead, the EEF predicts a 1.5 per cent rise in engineering sales, at constant purchasing power, between the first half of 1991 and the second half of 1992. The previous 18 months produced an 11.3 per cent decline. On the same basis, electronics and computers are forecast to recover most strongly with a 5.2 rise.

● Business leaders in the Midlands are becoming increasingly worried about the availability of bank finance both to provide working capital for companies moving out of recession and to fund a higher level of investment.

This became clear at regional council meetings of the East Midlands and West Midlands Confederation of British Industry held yesterday in, respectively, Nottingham and Halesowen

BAT arm cuts 1,000 jobs and 48 branch offices across UK

By Richard Lapper

EAGLE Star, the insurance subsidiary of BAT Industries, yesterday announced a programme of rationalisation that will reduce staff numbers in its loss-making general insurance division by over 14 per cent over the next three years.

At least 1,000 of the 6,500-7,000 people currently employed will lose their jobs. Many of those affected are clerical workers.

Forty-eight offices – all of the company's smallest branches – will close next year and the company's head office and main administration will be moved to Cheltenham, Gloustershire.

The cuts – which follow the announcement of redundancies by a number of other insurance companies in recent weeks - were signalled by Eagle Star last month, when the company announced that it had lost £189m pre-tax in the first half of 1991.

Eagle Star's losses are among the worst to be suffered by any British insurer. The group has been particularly badly damaged by its exposure to the mortgage indemnity market. Mr Michael Butt, the Eagle Star chairman, said yesterday that the group had planned to reduce staff numbers alongside the introduction of new systems that are designed to boost efficiency. The company's recent problems had "accelerated the pace of change".

Further job cuts will be made if Eagle Star was unable to restore profitability, said Mr Butt. "We will shrink our portfolio of business if we are unable to obtain adequate rates of return."

Mr Butt dismissed speculation that he might also leave the company. BAT Industries last night reaffirmed confidence in the Eagle Star chairman, who has been working with a completely new management team for UK general business over the past 12 months.

BRITAIN IN BRIEF

Sheerness, Chatham to privatise

Medway Ports Authority, operator of the docks at Sheerness and Chatham in Kent, is to become the second of Britain's trust ports to privatise itself under the recently passed Ports Act.

The port is to be sold through a process of competitive tender in which its management and employees are expected to bid. A similar course has been adopted by Tees & Hartlepool, the first trust port to privatise.

Call to end role of MMC

A radical overhaul of the UK's competition regime including the replacement of the Monopolies and Mergers Commission with a Competition Commission amalgamating the MMC with the Office of Fair Trading and the electricity, water, gas and telecoms watchdogs has been called for by the Institute of Economic Affairs.

Poor forecasts criticised

THE effectiveness of the government in formulating and monitoring policies is being reduced by poor statistics, according to the Social Science Forum, a pressure group.

In a paper the group says government statistics suffer from problems in collecting data and lack of responsibility by a central department for ensuring accuracy and comprehensiveness.

It details several areas, such as education, employment, demography, health, the economy and crime, where lack of valid statistics present difficulties in monitoring the efficacy of specific policies.

The forum, which represents about 50 organisations involved in social policy, is pressing for a new National Statistics Council which would advise the government on this area and highlight deficiencies. It also wants greater public access to statistics.

BNF closes £240m plant

British Nuclear Fuels has closed down temporarily a £240m plant opened only seven months ago at its Sellafield reprocessing centre.

The vitrification plant, which converts radioactive liquid waste into solid glass blocks for long-term storage, will not re-open until the company has investigated and corrected problems with two doors which shield workers from radiation.

The closure follows an incident in which the plant's computer system wrongly allowed both doors to be open at the same time. Although no one was exposed to radiation, operations cannot resume until the Nuclear Installations Inspectorate is satisfied that the problem will not recur.

Temporary closure of the vitrification plant will not affect Sellafield's other nuclear reprocessing operations, the company said yesterday.

Scots economy 'to recover'

The Scottish economy should be beginning to move out of recession in the current quarter but the recovery will be slow and will remain hesitant for much of 1992, according to the Fraser of Allander Institute, Scotland's principal independent economic forecasting body.

According to the institute the Scottish economy will resume economic growth no later than the rest of the UK, having suffered a shallower recession which began later than the UK as a whole. In the past recovery in Scotland usually lagged behind that of the rest of the country.

Output is expected to fall by 1.5 per cent this year and rise by only 0.9 per cent in 1992, when total UK output should climb by 1.2 per cent.

ICI cuts 220 Teeside jobs

ICI announced 220 job losses on Teesside, north east England, as a result of the closure of two plants and a section of another, due in part to a move away from bulk production of low value materials.

The job losses, which ICI expects to achieve without compulsory redundancies, result partly from a decision to move out of the commodity plasticisers and polyester polyols business at Wilton, Teesside by the end of this year. ICI said it was withdrawing from the business because of poor market conditions and high operating costs.

Labour favours fixed terms

Mr Neil Kinnock, the opposition Labour party leader, said that he favours fixed terms for parliament in order to end damaging speculation in the run up to a general election.

His comments followed a similar admission by Mr Roy Hattersley, Labour's deputy leader earlier this month.

Speaking during a party political broadcast screened last night Mr Kinnock, said: "Speculation about the election doesn't do the economy any good because there is a certain instability in the political environment."

Cricket set for summer finale

John Childs claimed four wickets to rekindle Essex's hopes of beating Victoria of Australia and adding £12,000 to their already profitable summer in the Britannic Assurance Challenge. Spinner Childs sent the Australian domestic champions sliding to 157 for eight by the close with only Merv Hughes' unbeaten 54 sparing them greater embarrassment. Victoria need another 37 runs to avoid the follow-on and the possibility of an exciting finale to the summer today cannot be ruled out.

AS two opposition Labour party MPs, Mr Terry Fields and Mr Dave Nellist (pictured above), were suspended from holding office in the party because of alleged links with Militant, the left-wing group, the expulsion of all Militant supporters was highlighted in a poll as the move most likely to help Labour win the next election. The findings come in a Mori report for the Joseph Rowntree Reform Trust, published today. For the Tories stopping more NHS hospitals opting for trust status was most cited by respondents, 54 per cent, as benefiting their election chances.

UK NEWS

Death of the salesman has been greatly exaggerated

By Philip Rawstorne

SALES are too important to be left, as Arthur Miller put it in Death of a Salesman, to "a man out there in the blue, riding on a smile and a shoeshine."

But British industry still employs a salesforce of 300,000 and spends £12bn a year supporting it.

Yet, according to Professor P.J.S. Law, of the London Business School, even in these high tech days, *selling is still widely* seen as the function of the "rep" in the Ford Cortina.

Selling has never been accorded the status it deserves in Britain, he says – forcing salesmen to operate under cover of such titles as "account managers" and "marketing executives."

A survey, commissioned by CPM Field Marketing, suggests that sales organisations have adapted fairly well to the changing demands of the past decade.

But though the salesman's *response to change can be* measured in the proliferation of telephone sales, call-management systems, and car phones, selling is still inefficient in most industries.

Salesmen typically only spend 5 per cent of their time actually selling. More than *half* their working day is taken up by travelling and administration. The average salesman *in* a service industry makes 900 calls on customers a year; in the *consumer industries*, the rate is more than double. Costs of a call range from £20 to £400.

Sales organisations, the survey warns, will have to increase their efficiency and their effectiveness if they are to succeed in the 1990s.

Salesmen, already grappling with falling orders, increased credit risks, and cost reduc*tions, can look forward to a* decade of enormous and often unsettling change."

Customers will become increasingly assertive in the 1990s, and buying power will tend to centralise. Suppliers will demand more from their selling operations.

The European single market will change the competitive environment and affect the servicing of major accounts.

There will be fewer sales executives, the survey predicts, and the role of those who remain in the field will change. *"The salesman has little scope* to sell.. we know what we want and his role is to provide it," *says one multiple grocer.*

Salesmen will need greater technical expertise in the use of computers and communication systems, "Those who do not learn the requisite new skills will rapidly become redundant."

Sales directors, as well as harnessing more technology, will make greater use of third party sales support – a service industry now worth £100m.

Close partnerships may be developed between suppliers and customers, requiring a radical change in the culture of many selling organisations, says the survey.

What is beyond all doubt is that in this brave new world, selling will be a team game with no place for the "old dog" loner.

(Balancing the Saleforce Equation, Abberton Associates, 35 Ravensdon Street, London SE11 4AQ)

Tories favour new shade of green

John Hunt, environment correspondent, watches a bullish Michael Heseltine, pictured below, unveil an environmental audit of Conservative government policies

THERE WAS no lack of electioneering hyperbole yesterday when Mr *Michael Heseltine, the environ*ment secretary, launched a glossy 200 page document listing the government's "green" record since the publication of its environmental policy paper a year ago.

Seated with *his junior* ministers in front of a banner proclaiming "Action on the Environment" he claimed it had been a year of achivement in which the government had taken 400 separate measures to improve the UK environment.

With an eye on the "green" vote the opposition Labour party issued a counterblast describing it as "opportunity lost - nothing short of a national disgrace."

Lord Melchett, executive director of Greenpeace, the international environmental campaign group, called it "window dressing". David Gee, head of Friends of the Earth, said *it did* not show the decisive leadership on the environment which prime minister *John Major promised in a* speech on the subject earlier in the year.

Andrew Warren, of the Association for the Conservation of Energy, gave a qualified welcome and said there had been some progress particularly in the energy saving programmes introduced in government *departments.*

But he said that over the past year when Britain's GNP had fallen there had been a 1.6 per cent rise in UK emissions of carbon dioxide, the main greenhouse gas that contributes to global warming.

The new document includes 80 pages, each divided into *three columns, listing* the promise made in last year's policy paper, action to date and commitments to further action. It is likely to provide the framework for the Conservatives environmental manifesto at the forthcoming general election.

Significantly the use of so-called free market "economic instruments", such as taxation and fiscal incentives *to encourage environmental* improvements, get no mention in the the report.

The original document had a big section on this and kept the door open to the eventual *introduction of a carbon tax on* fossil fuels such as oil coal and gas.

It was made clear yesterday that neither Mr Michael Heseltine, nor Mr David Trippier, the minister of state for the environment, has any enthusiasm for a carbon tax whether it is a British or EC scheme.

The document does not have a separate chapter on transport although carbon dioxide and other pollutants are one of the biggest threats to the environment.

Asked if the government still believed in the great car society that was endorsed by Mrs Thatcher, Mr Trippier said "it is entirely a matter for the Department of Transport". He *said that there would be fur*ther meetings between the DoE and Transport Department and that 20 per cent of UK reductions in carbon dioxide would have to come from the car *industry.*

The report does, however, contain a rebuke to the Transport Department. The orginal paper promised to "civilize traffic in towns" by refusing to provide new road capacity for additional car commuting into congested areas. There is an ominous blank space against this under the "action to *date*" column and a vague future commitment to avoid creating such roads.

There is a similar blank space for action accomplished by the Department of Energy to carry through its research and development on renewable energy sources such as wind and wave power. But a programme of new R & D of £800,000 is expected to be agreed.

The government pledges itself in the document to play a leading role in international negotiations towards a framework convention to curb global *warming. This is expected to* be agreed at next June's Earth Summit in Rio de Janeiro.

But the document does not mention that the UK has taken the lead in promoting a "pledge and review" policy which, say environmentalists, will severely water down the original concept that there *should be strict international* targets for reducing carbon dioxide.

Under "pledge and review" governments could announce general programmes for reducing all greenhouse gases without specific targets for carbon dioxide. These programmes need not be announced until a year after the Rio conference.

Also highlited is the government proposal to set up a new *national environment agency* consisting of Her Majesty's Pollution Inspectorate, part of the National Rivers Authority and taking in the waste regulation functions of local authorities.

In fact this has run into deep political trouble with the NRA strongly resisting attempts to break it up. And, as Mr Heseltine confirmed yesterday, it will only be introduced in legislation in Autumn next year assuming that the Conservatives are returned to power at the general election.

The government is on safer ground in boasting of its Environmental Protection Act which introduces integrated pollution control over air, land and water.

It is beginning to bite and the provision that industry must use the best available techniques for controlling pollution *is* causing companies to improve standards. Anticipating criticism, Mr Heseltine *wryle observed at the end of* yesterday's press conference that the media "always looks on the downside even when the upside is so much more evident on a large scale."

ASB moves to make cash flow data public

By Robert Peston

BRITISH companies will for the first time be forced to give reliable information on how much cash they are generating, following the publication today of the first Financial Reporting Standard to be *issued by the Accounting Standards* Board.

The ASB was set up earlier this year to overhaul UK accounting standards. Professor David Tweedie, the ASB's chairman, said that its first Financial Reporting Standard, on cash flow statements, was the most important of all the new *rules it would be issuing.*

"A cash flow statement gives a guide to the quality of a company's profits", he said. "Profits are not necessarily a reliable measure of a company's performance." Companies can adjust profits to suit their own purposes by using provisions".

He said that cash flow statements were *particularly useful* to shareholders during a recession. A series of companies, most notably Polly Peck and Brent Walker, have run into severe financial difficulties just months after reporting record profits.

The new cash flow statements will appear in companies' accounts in place of their statements of the source and application of funds. FRS 1 is *superseding Statement of Stan*dard Accounting Practice 10.

All accounts for periods ending on or after 23 March 1992 must contain the new cash information.

Some companies, notably financial businesses, lobbied against the imposition of the new cash flow statement. *Banks* and *insurance* companies argued that cash flow statements produced by them are not meaningful.

Yesterday the ASB also set out its work programme for the coming year. It is planning to tackle four contravorsial issues:

- how companies account for goodwill
- accounting for intangible fixed assets
- how *companies* incorporate the accounts of acquired businesses in their own accounts
- how companies value the assets of businesses they acquire.

Top merchant bankers stand trial in Guinness Two

By Raymond Hughes, Law Courts Correspondent

TWO former leading City merchant bankers will stand trial at Southwark Crown Court today (September 26) in the second stage of the prosecution arising from the Guin*ness affair.*

Mr Roger Seelig, former corporate finance director at Morgan Grenfell, and Lord Spens, former director of corporate finance at Henry Ansbacher, are accused of involvement in an unlawful share support operation mounted by Guinness during its bitterly-fought takeover battle with the Argyll supermarket group for Distillers, the Scottish drinks group, in 1986.

They are jointly charged with conspiracy to contravene section 13 of the 1958 Prevention of Fraud (Investments) Act by conspiring to induce Distillers shareholders to exchange their holdings for shares in Guinness by the dishonest concealment of material *facts.*

Mr Seelig alone faces another charge under the same act and two Theft Act charges of false accounting. Lord Spens is also charged with one false accounting offence.

The trial, before Mr Justice Henry and a jury, is expected to last about three months. Mr Seelig will conduct his own defence, having decided last year that he could no longer afford the expense of lawyers.

Originally both defendants were represented by QCs, junior barristers and solicitors.

In April, 1989 Lord Spens announced that he could no longer afford the mounting legal costs and was dropping his lawyers. However, last November he was granted legal *aid and will be defended at the* trial by two junior barristers and solicitors.

As a result of the recent promotion of Mr John Chadwick QC, who prosecuted in Guinness One, to be a judge of the High Court Chancery Division, the prosecution will be led by Miss Elizabeth Gloster QC. She was a member of the Serious Fraud Office's team in the first trial and has considerable civil litigation experience in company and commercial matters.

Mr Seelig and Lord Spens have had to wait well over three years for their case to come before a jury, Mr Seelig having been arrested on October 15, 1987 and Lord Spens on March 10, 1988.

The case against the seven *men originally charged in con*nection with the Distillers takeover was transferred from Bow Street magistrates court to Southwark Crown Court in November 1988, when it was anticipated that the trial would begin the next summer.

By June 1989 the date had been pushed forward to the following January. *In October*, 1989 Mr Justice *Henry* decided on split trials, with Mr Ernest Saunders, the former Guinness chairman and chief executive, in both, and with Mr Seelig, Lord Spens and Mr David Mayhew, senior corporate finance partner of Cazenove & Co, the stockbrokers, alongside him in the dock in the second trial.

When the first trial - involving Mr Saunders, Mr Gerald *Ronson, chairman of the* Heron Group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, a millionaire financier - eventually began in mid-February last year it was anticipated that the second would start that October or November. However, when Guinness One ended in late August the sec*ond was put back to January* and the case against Mr Saunders, who had been convicted on all but one of the charges he faced in the first trial, was dropped.

Shortly before Christmas the second trial was split, hiving off Mr Mayhew to be tried in Guinness Three.

Thereafter legal arguments and appeals, coupled with Lord Spens' new lawyers' need for more time to prepare his defence, resulted in further postponements.

In mid-July the Law Lords refused to give Mr Seelig and Lord Spens leave to appeal against a pre-trial ruling and the last obstacle to the start of the trial was removed.

Guinness Three is expected to come to court soon after Guinness Two, with Guinness Four, involving Mr Thomas Ward, a Washington lawyer and former Guinness non-executive director, to follow.

What really constitutes financial strength in today's insurance marketplace?

An impeccable balance sheet. And profits.

If you're concerned about the financial strength of your insurance organization, here are some questions you should ask.

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*Domestic Property-Casualty Companies

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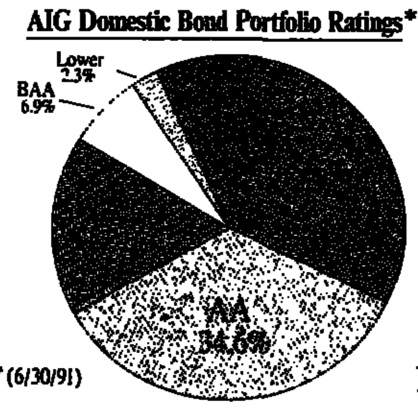

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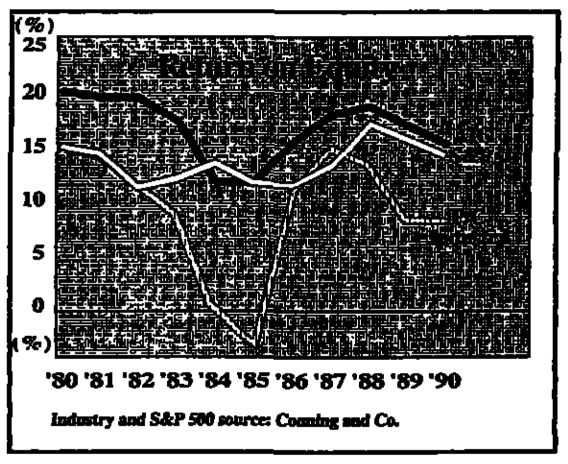

Industry and S&P 500 source: Conning and Co.

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TECHNOLOGY

Link-up of engine designers

Two UK engine design consultancies, Perkins Technology and Tickford, have signed an agreement jointly to market their consultancy operations worldwide.

The agreement represents a rare example of collaboration within the UK engineering design consultancy sector, despite suggestions that it would benefit from a more co-operative approach.

Separately, UK consultancies including International Automotive Design, Ricardo and Lotus Engineering have established themselves as leading suppliers of design and engineering services to the world motor industry.

However, previous suggestions by some in the industry, such as Group Lotus chief executive Michael Kimberley, that partnerships should be formed between companies with complementary skills have hitherto gone largely ignored.

Between them, Perkins Technology, a subsidiary of the Peterborough-headquartered diesel engine manufacturer, and Milton Keynes-based Tickford, have a combined workforce of 550 engineers, with nearly 100 engine test cells and associated emissions and environmental laboratories.

Tickford meanwhile has signed a joint venture agreement with Ford Motor Company of Australia under which the two companies will jointly develop high-performance and luxury components for the Australian range of Ford cars.

The joint venture, Tickford Vehicle Engineering, is being set up on a site adjoining Ford's Melbourne assembly plants and is expected to employ around 60 people.

Both deals appear to mark a renaissance for Tickford, which was the subject of a buyout by its managers from receivers of its former parent, the CHI industrial group, four months ago.

Tickford's two main divisions are vehicle design and development and rail engineering. It employs a total of 270 people at Milton Keynes, Bedworth and Coventry.

John Griffiths

Louise Kehoe examines why Intel is in danger of losing its dominance in the microprocessor market

Enemies behind every door

In the market for microprocessor chips that form the brains of personal computers, Intel is king. Ever since IBM chose an Intel microprocessor for its first PC 10 years ago, Intel has dominated the field.

In recent months, however, Intel's stronghold has been under constant attack. Mounting competition, legal challenges and the changing face of the desktop computer market have raised serious questions about the company's ability to maintain its rule over the PC chip market of the 1990s.

The IBM PC standard that anointed Intel's microprocessors is beginning to crumble. In a joint venture with Apple Computer, IBM now aims to create a new standard for personal computing based upon its own high-speed Reduced Instruction Set Computing (Risc) microprocessors. Risc microprocessors streamline processing by trading off speed against complexity.

Compaq Computer, the leading manufacturer of IBM-compatible PCs (all Intel based), has joined Digital Equipment and others in backing the development of computers based upon the R4000 Risc microprocessor from Mips Computer.

Neither IBM nor Compaq Computer, two of Intel's biggest customers, is planning to abandon the Intel microprocessor architecture, but it is clear that when the fifth generation of Intel microprocessors, the "586", makes its debut next year it will not inherit the PC market crown without some stiff competition.

Andrew Grove, Intel president, is undaunted. "We are leading in technology, leading in installed base, and leading in the [manufacturing] infrastructure that is required to deliver these things [microprocessors] in the multiple tens of millions of units per year," he maintains.

Building the fastest microprocessors is now only one element of the competition. Recognising this, Intel is attempting to carry out a significant shift of corporate strategy.

"Our whole corporate mentality has to be changed," explains Grove, "from finding new applications for Intel silicon to making Intel-based computers superior." This involves several factors affecting system performance, including both software and hardware.

To date all IBM-compatible PC system software has been designed to run only on Intel microprocessors, but Intel acknowledges that it may lose this exclusive advantage. "System software is going to be built in such a fashion that it is relatively easy to adapt from one architecture to another," in the future, Grove acknowledges. "That is the reality of the open computing world."

Examples include Sun Microsystems's recently announced Solaris, a Unix-based operating system that will run on Sun's Sparc chips and on Intel's microprocessors. Microsoft's "Windows NT", a PC operating system due next year, will run on Mips Computer's R4000 as well as on Intel's chips.

While many see these developments as a threat to Intel, Grove maintains that his company is well positioned to take advantage of the boost that these software advances should give to the sluggish PC market. "I'm overjoyed with the influx of money, resources and talent that are being poured into system software development," says Grove.

He sees the new operating systems unplugging the "software bottleneck" that has prevented computer users taking full advantage of advances in microprocessor technology.

"It has been very frustrating from an Intel point of view to develop new technology that theoretically doubles performance and then see the performance improvement degraded by a 10-year-old operating system [MS-Dos]," says Grove.

While one set of competitors aims to unseat Intel's microprocessors with alternative chip designs, another set is focused upon cashing in on Intel's success with "clones" of its current microprocessor products; chips that emulate the functions of the Intel design without directly copying them. Advanced Micro Devices, a rival Silicon Valley semiconductor manufacturer, launched its own version of the 386 chip (the processor which powers most of today's PCs) six months ago and has already won a 15 per cent share of the PC market, according to market analysts.

Andrew Grove: 'Nobody is going to outperform our products'

Intel recently lost out to AMD when Grid Systems, a subsidiary of Tandy, announced a new desktop computer based upon AMD's 386 chip. AST Research, another US PC manufacturer, is using the AMD microprocessor in its latest notebook computer.

Next week, Chips & Technologies, a leading supplier of PC chipsets, will also unveil 386 look-alikes and at least three other chipmakers are said to be developing clones of the Intel 386 and 486.

Unlike some of its competitors, which have banded together in teams of chipmakers and computer companies to support new architectures, such as those based on Risc processors, Intel insists on going it alone. The company has not licensed any other chipmaker to produce its most recent generations of products (the 386 and 486 chip families) except IBM, which manufactures the 386 for its own consumption.

Intel has also taken a hard line in protecting its intellectual property rights. The company has filed suit against AMD, Cyrix, a small Texas chipmaker, and a number of other "clone" chip makers. Now the industry is watching to see whether Chips & Technologies' new 386 products will also prompt attention from Intel's lawyers.

AMD and Cyrix have, however, filed countersuits charging Intel with anti-competitive business practices. Intel has denied any wrongdoing but the company's sales tactics are now also the subject of a US Justice Department anti-trust investigation.

"We developed a product all on our own. We created a market for it all on our own and introduced it all on our own. If someone else wants to develop a product, in my view they have to do it all on their own . . . not on the basis of any assistance from the intellectual property that was developed . . . by this company," Grove states adamantly.

The company aims to keep a step ahead of the clones by drawing computer makers towards its next generation microprocessors, which have yet to be emulated by competitors. The move is risky. By accelerating the pace in the microprocessor market, Intel could prematurely kill demand for established products.

Competition has also forced Intel to cut prices of some of its PC devices. These tactics could have a detrimental impact upon Intel's short-term earnings and its long-term strategy. Maximising profits from current products is critical to Intel's future.

Microprocessor development and manufacturing costs have increased exponentially over the past 10 years. The 586, due out next year, will have cost Intel several hundred million dollars to develop – up from a few million for the 8086, Intel's first 16-bit microprocessor, launched in 1978.

In addition to the 586 processor Intel is already developing sixth and seventh generation microprocessor technology that it says will appear in the mid-1990s. "Nobody is going to outperform our products. There will be no motivation for anybody to shift from our microprocessor architecture to another," says Grove, although competitors see him trying to hold back a tide of competition that will inevitably erode Intel's territory.

In addition, Intel will spend more than $1bn on upgrading manufacturing sites this year and expects to spend as much again in 1992. The huge costs of development and manufacture of leading-edge microprocessors are a barrier to competition, yet the potential rewards of winning ground in the microprocessor market – one of the most profitable segments of the semiconductor industry – act as a magnet.

"We are convinced that end-user demand for higher performance personal computing is there, that the technology capable of delivering it is there and we are dedicated to doing it first," says Grove.

PCs model the latest fashions

By Della Bradshaw

The catwalks of Paris and Milan may soon play host to a new group of designers eager to show off their autumn and spring collections. Not the latest *ingénues*, eager to challenge to suited sophistication of Chanel or the *haute couture* of Yves San Laurent, but personal computer manufacturers with the latest fashion in PCs.

Leading the way is Japanese electronics manufacturer NEC. At its futuristic Advanced PC Design Centre, in Tokyo, a group of designers and engineers have been busy developing a range of "wearable" PCs which transfer computer technology from the desktop to the wrist or the waistband.

This "personal environment design", as design supervisor Hideji Takemasa calls it, will transform the local PC store into a designer boutique rather than a warehouse, says NEC.

So, what will the fashion-conscious PC user be wearing 15 years from now? The answer could depend on the job you do, as evidenced by some of the NEC's concept models.

In the company's vision of the 21st century the businessman will be dressed in a subtle creation of black and grey. A tube running down his back will contain electronic componentry and loop round to support a visual display held out at waist level. A speaker and headphone atop the tube will enable the businessman to input data. A camera and fax capabilities are also built into the unit.

For journalists or writers the "Lapbody" closely resembles the sort of machines available today. But instead of putting the laptop on a hard surface for use, the machines hang from shoulder straps and rest on the chest.

The latest model for the up-to-date factory employee will be a two-piece yellow creation, one half worn around the neck and the other on the left forearm. The arm unit incorporates an optical scanner to enable the wearer to read bar codes into the machine. This data can then be checked with data stored in a CD-Rom, for, say, checking stock. A unit jutting out from the neckpiece displays the information for the wearer to read.

Emergency medics will wear a machine which keeps both hands free to allow patient treatment to continue uninterrupted. The TLC (tender loving care) PC combines a hand-held "track ball" – which has built in sensors to measure the patient's vital signs – with computer processing power. This information is displayed on specially-constructed goggles. A microphone is used to dictate details of the patient's condition, while a built-in camera transmits images to the hospital via satellite links.

And for more general consumer use NEC has developed the Spoon PC, a round terminal face attached to a flexible stand with wheels attached. The PC can be towed along and then rested on the knee for use. In this vivid vision, the futuristic machine is finished in a delicate shade of pink.

PC fashions for the factory and office

MANAGEMENT: Marketing and Advertising

Financial services

Widow beckons at altar of mammon

John Authers reports on efforts by life assurance and other investment groups to sell their products

What is this mysterious woman trying to sell you? "Glamorous" products, such as clothing and perfume, leap to mind. Perhaps she is about to wrap her tongue round the latest crumbling chocolate bar.

In fact, the woman is a Scottish Widow, and she has spearheaded a successful advertising campaign by a long-established Edinburgh life assurance group – about as unglamorous a product as it is possible to imagine.

These tactics are the latest attempt to break out of a severe problem for life assurance and other investment companies. Financial products are misunderstood, and the companies that produce them have a low profile.

But it is hard to appeal directly to the consumer without alienating the large and powerful intermediary network which is in place. Life offices antagonise these at their peril.

Scottish Widows' campaign has been arguably the most successful among the large investment houses which have adopted a similar approach. These have included weighty names previously glad to be dull, such as Scottish Amicable and the Prudential.

It is easy to see why these tactics seem necessary – market research suggests that consumers are ignorant and distrustful of the industry, while much marketing misses its target.

Mintel summed up the position in a damning report earlier this year. "The banks, building societies, insurance companies and credit card suppliers spent a staggering £424m in 1990 advertising their services, and the majority of the population still don't know what they are buying," it said.

Mintel found two main causes for the difficulties that marketeers face. One is ignorance, which the proliferation of more complicated new products has exacerbated. The new advertising is either too complex for "novices", or does nothing to help them understand.

The other problem is distrust of intermediaries. Most people believe that there is no such thing as independent financial advice. Distrust is greatest among the people who could provide the most lucrative business.

A smaller qualitative survey by Prospektus, another market research company, found that high net worth individuals think that advice is "sales by another name".

Such scepticism persists despite the root and branch reform of investor protection made by the Financial Services Act in 1987. In some ways, this could have made the basic problem of explaining finance to "novices" all the harder.

The Act stamped on misleading illustrations and claims for product performance, and insisted on "health warnings" to ensure that potential investors understood the risks they were taking. This made it much harder to make a convincing case for one company's product without introducing a mass of information.

However, the FSA permits companies to avoid small print, provided they restrict themselves to generic advertising, promoting name awareness alone.

This explains the Scottish Widows strategy. We do not know whether the widow holds a pension, a life assurance policy, or a unit trust – all we know is that she represents the company. She promotes name recognition and nothing else.

David Lewis of Dewe Rogerson, the public relations company which helped to devise the Widows campaign, explains: "What the Widows has done is take the discipline of fast-moving consumer goods branding and apply it to the financial market. Until about five years ago advertising in this market was fairly dated and unsophisticated."

Scottish Widows noticed that much financial advertising fails to put across specific company names. It also had to contend with the disadvantage of a brand name which nobody sitting down now with a clean sheet of paper would choose for a new company.

It sounds vaguely intimidating, and implies that its products are only for widows. However, the name had built up sufficient reputation – the company has more than £12bn under management – that change was out of the question.

The current advertising addresses both problems. According to Lewis: "It branded the company very clearly, and took the widow head on. Nobody will forget which company was being advertised. Also, it gave Scottish Widows a more modern friendly personality than is suggested by the name."

Heightened name awareness helps, although most of the company's sales are through independent financial advisers, unlikely to be swayed by such tactics. If consumers feel comfortable with Scottish Widows' name they are more likely to buy one of its products if an adviser mentions it.

An alternative approach is not to market to "novices", but instead to aim at "experts". One of the few groups to use this strategy with success is Fidelity, the US-owned group, best known as a unit trust manager. It is now the fifth largest unit trust group in the UK, although it has only been active in this country for around a decade.

Victoria Philip, Fidelity's marketing director, admits that the group's marketing strategy to date has been "very much preaching to the converted".

Thus its newspaper advertisements have the tone of an approachable "broker's note". Typically a few paragraphs are included, accompanying a simple exposition of the case for some specific sector.

The group's market share suggests this approach must have worked. However, Philip accepts that the strategy has not expanded the market.

According to Fidelity, around 4 per cent of Britons hold unit trusts, a figure which still seems to be lower than it might be thanks to the Black Monday stock market crash of October 1987. The figure for equivalent investment products is 20 per cent in the US, where investor confidence survived the 1987 crash more or less intact.

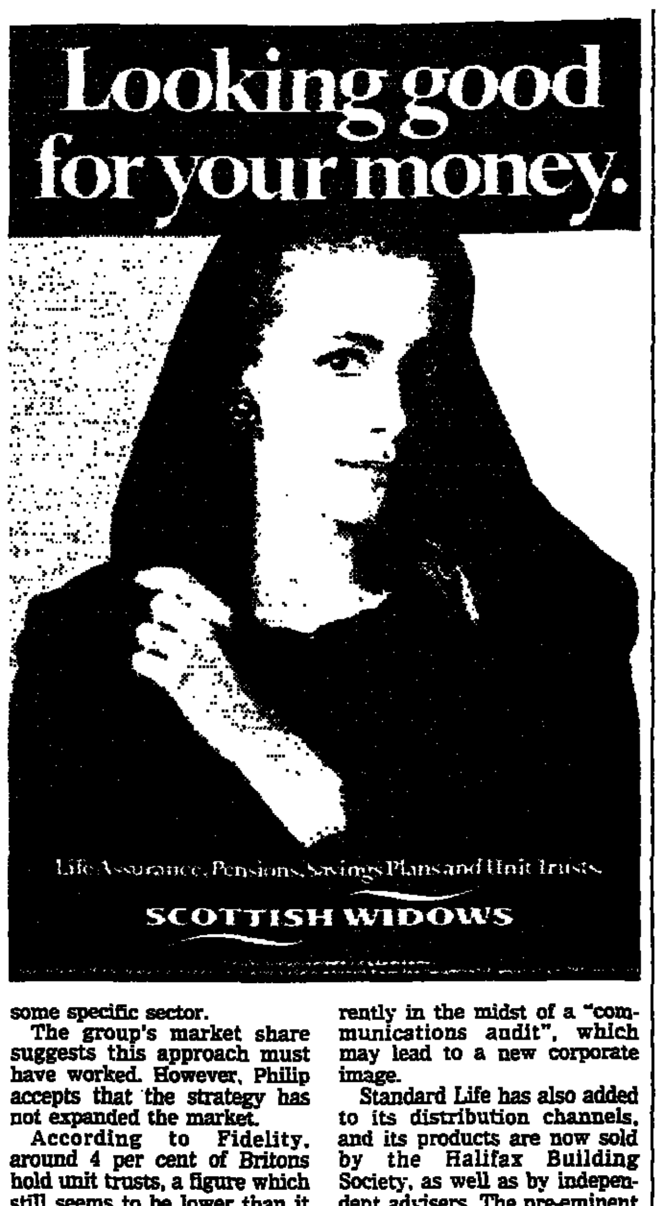
The fundamental problems of an uneducated market and a distrusted intermediary structure remain untouched. However, the experience of two big life insurers with different marketing philosophies suggests that more traditional marketing can still be effective.

Standard Life is the UK's biggest mutual life assurance group, but has not adopted Scottish Widows' tactics. It says that a brand image which projects a "persona" is a valuable property, but it is only "skin deep". However, it is currently in the midst of a "communications audit", which may lead to a new corporate image.

Standard Life has also added to its distribution channels, and its products are now sold by the Halifax Building Society, as well as by independent advisers. The pre-eminent brand values that Standard Life believes it should aim for are "level of service" and "customer care".

These sentiments are endorsed by Abbey Life, a much younger group which has built up 1.1m clients over the past 30 years, mostly on the back of a highly motivated sales force. It has decided that the costs of a heavy advertising campaign could not be justified.

Lester Young, product marketing manager of Abbey Life, does think that the Financial Services Act has levered up the standards of salesmen. But the company has recognised the depth of the problem confronting them in public awareness, and simply carried on applying the industry's old adage: "Life assurance is not bought. It has to be sold."



Spots before your eyes

Sponsors of football shirts can gain from televised matches. **Jane Fuller** reports on other advantages

Last week Sheffield Wednesday Football Club took out an advertisement in a newspaper that does not have a sports page. Instead of trying to reach the fans, it was using the Financial Times to appeal for a "big name shirt sponsor" – the big name being corporate rather than sportive.

It has had a sponsor before: *Finlux, a Finnish television* company. But now that it is back in the first division and holder of the Rumbelows League Cup, it wants to tap a richer vein of financial support.

Even last season, before the Premier League was formally mooted by the Football Association, first division clubs gained more than £5m from shirt sponsorship. The average of £253,000 per club was well over three times the second division equivalent of £75,500.

Shirt sponsorship involves selling an advertising space of up to 200 sq cm on the front of the team's shirts. The package may also include the use of hospitality rooms, tickets and advertising around the pitch and in the match programmes.

An important lure for the sponsors' clubs is that the company's name will appear on television and in newspaper and magazine photographs.

Graham Mackrell, club secretary at Sheffield Wednesday, says the motivation of sponsors has changed. "In the past, companies became involved because the chairman liked to go to the game with his mates. Now expenditure has to be justified."

When Mackrell was at Luton Football Club, Luton's sponsor, General Motors, was sent videos of appearances on television and press cuttings every week. "If anyone did an interview without wearing something with Vauxhall's griffin emblem on there would be a phone call from Detroit."

Sheffield Wednesday reckons it should feature in at least one live televised game per season and some of its goals will also be included during half-time of other nationally broadcast matches.

At the regional level, there is much more. Already this season it has been the subject of two hour long programmes on Yorkshire Television.

Television and photographs are a limited form of advertising in that they only show the company's name, without giving product details or the corporate message. However, the the amount of air time a sponsor receives is impressive.


Watch this space: Sheffield Wednesday seeks another shirt-front

For instance, in one of Aston Villa's UEFA Cup games against Inter Milan, Mita Copiers' name appeared for more than 200 seconds. The chronometer did not count the numerous flashes of less than a second.

Graham Bridgwater, marketing director of CSS Group, which has been involved in gaining football sponsors, says that a 30-second advertising slot on the ITV network, at a good viewing time, would cost roughly £150,000. "It is not unusual for the production of a commercial to cost £250,000."

It must, however, be remembered that a handful of clubs dominate televised matches. The latest Digest of Football Statistics, published by the Sir Norman Chester research centre, shows that in the 1989-90 season only 17 clubs featured in live games from the English League or cup competitions, out of a total of 92.

But even within this select band, the focus is on a handful. Indeed a third of the 60 appearances involved Liverpool or Manchester United.

United, which joined the stock market this summer, has been quick to capitalise. Its income from sponsorship, royalties and advertising has doubled from £1.2m in 1987-88 to an estimated £2.4m in the year to July 31.

The club will receive another fillip next year when its new contract with Umbro, the Manchester-based kit manufacturer, takes effect. But this is a different type of shirt-related sponsorship. Whereas Sharp, the Japanese electronics company, sponsors the club and takes up the photo opportunity on players' chests, Umbro has bought the rights to make replica kit and use the club badge on other products.

Martin Prothero, promotions director of Umbro, says it spends £10m a year – about 80 per cent of its European marketing budget – on buying these rights from leading European teams, including some national sides. The top amount going to any one of them is £1m.

At second division Brighton and Hove Albion, on the other hand, the club handles its own replica kit sales, using a Surrey manufacturer called Ribero. A new "jazzy" blue-stripe design has proved a commercial success. Terry Gill, marketing manager, says the outfit has been compared with "a Tesco shopping bag and a deck chair". Yet in spite of the stir caused by the strip, the biggest single commercial income source is the club's sponsor, the TSB bank.

The pressure on clubs to build up revenue from sources other than traditional gate receipts has been intensified by the Taylor Report on the disaster at Hillsborough, Sheffield Wednesday's ground, although the 95 deaths happened at an FA Cup semi-final. Implementation by 1990 of requirements for all-seater stadiums will cost the 93 English Football League clubs an estimated £360m.

Last season, shirt sponsorship (excluding replica rights) raised £8.5m, but the poor relations in the fourth division were only averaging £24,000 each. However, only a dozen clubs – spread over all four divisions – were without such sponsorship.

Darren Venn, the Football League's marketing manager, says clubs are having to adopt a more professional approach to their marketing efforts. "Instead of just employing former professional footballers, they are now taking on marketing people from other industries."

BUSINESS LAW

Enforcing anti-trust law in central Europe

By Michael Reynolds

Three months ago, on June 25, in Prague an event of historic importance took place which would have seemed unbelievable barely two years ago. The heads of the newly-constituted anti-trust authorities of Poland, Hungary and Czechoslovakia met for the first time.

The meeting took place in the context of the International Bar Association's East European Forum Conference. Before an international audience of lawyers, including many from central and eastern European countries, the heads of the new competition watchdogs explained the competition laws which had been enacted in their countries and the problems they foresaw in trying to enforce them.

An effective competition policy and an agency with the teeth to enforce it are indispensable components of the transition to a free-market economy. As in western Europe, there is no point removing powerful state monopolies with the ability to dominate the market only to find that they are replaced by private concerns which retain great market power which they may abuse by, for example, charging excessive prices.

Experience in the UK has shown how important *it* is to ensure that newly-privatised undertakings are subjected to supervision and regulation.

In addition, it is important to ensure, through merger control, that the privatisation process does not lead to a situation where a particular market continues to be dominated by one or two significant players.

In the period between the fall of the Berlin Wall and the re-unification of Germany there appeared to be a merger control vacuum in East Germany with the result that one or two West German concerns were able to acquire dominant market positions in the east.

Deals such as the acquisition of GDR State Insurance by west Germany's Allianz Insurance and the takeover of the east German gas network by Ruhr-Gas eventually set alarm bells ringing in Brussels. Sir Leon Brittan, the competition commissioner, felt forced to intervene to try to prevent the creation of new monopoly positions in east Germany which might prejudice the interests of German consumers and competitors from other EC states.

In central and eastern Europe one of the difficulties in applying competition law will be that the rules are being brought into force and operated in countries which have never known such disciplines.

Anti-trust laws had no role to play in command economies where often the whole market took the form of a cartel and where control of the economy by large monopolies and price fixing through centralised planning were endemic.

Even now, newly-privatised enterprises will continue to operate in the context of a heavily-concentrated distribution system. It will take a long time to shake off bad habits acquired over some 40 years in a system where markets were shared with impunity, complete sectors were dominated by a single monopoly and enterprises traded on agreed prices fixed by government.

Unlike centralised European cartel authorities, Poland's Anti-Monopoly Office has regional offices outside Warsaw

The task facing the new regulators in Poland, Hungary and Czechoslovakia is daunting. In Prague, they made clear their determination to apply the new competition laws to ensure that newly-privatised companies obey the rules of free competition and that merger control provisions are applied to achieve deconcentration where possible. What resources and powers have been put at their disposal?

Hungary's Office for Economic Competition is headed by Ferenc Vissi and administers the Act on Prohibition of Unfair Market Practices passed by the Hungarian Parliament on September 20 1990.

Agreements which restrict competition are prohibited whether they are concluded in Hungary or not. Exemptions are possible, but will be more difficult when the parties have a joint market share which exceeds 30 per cent. Activities which result in the abuse of "economic superiority" – defined as a 30 per cent market share – are prohibited.

Notification has to be made in the case of mergers where the joint market share of the merging parties exceeds 30 per cent or joint turnover exceeds 10bn forints. The Office for Economic Competition can impose fines for infringement of the Act's provisions.

Poland's Anti-Monopoly Office was established in April 1990 with Anna Fornalczyk as its president. The office has a staff of 20 lawyers and economists and, unusually, has regional offices in important Polish cities outside Warsaw. Most cartel authorities in Europe are heavily centralised.

Poland's Anti-Monopoly Law, adopted on February 24 1990, prohibits monopolistic practices and abuse of dominant market positions. Merger control provisions give power to the Office to intervene when mergers create or strengthen a dominant market position.

Sanctions under the Polish law are more stringent than under the laws of Hungary or Czechoslovakia – indeed, they are more stringent than competition laws in western Europe. Managers of defaulting companies can be fined personally, something which is not possible even under the draconian EC competition provisions. Fines on companies can be up to 15 per cent of turnover, compared with a maximum of 10 per cent under EC rules. There is also power to divide and liquidate companies which permanently limit competition.

In Czechoslovakia there is a Federal Office for Competition based in Bratislava and headed by Imrich Flassik; a Slovak Anti-Monopoly Office also based in Bratislava and a Czech counterpart based in Brno: three cartel offices where two years ago there was none.

The Federal Office has jurisdiction where the entrepreneurs concerned account for more than 40 per cent of the relevant market in Czechoslovakia as a whole. It is not surprising that jurisdictional problems between the various offices are already emerging.

The Act on Protection of Economic Competition adopted on January 30 1991 and administered by the Federal Office is similar to the Polish and Hungarian laws. Cartel agreements are banned as impermissible and are nullified. Dominant positions arise at 30 per cent of market share and it is provided that such positions should not be misused. Merger control provisions are triggered when the merging undertakings control more than 30 per cent of the market.

The fundamental question is: how effective will enforcement of these laws be? Many countries have competition laws on the statute book which are often quietly ignored or enforced half-heartedly.

Anti-trust regulators are rarely popular even in countries with a long tradition of competition law enforcement. Industrialists often regard their activities with hostility and they are involved in frequent battles with other government departments responsible for encouraging industrial development.

Political pressure on and interference with the three new agency heads and their offices is likely to be intense in the early days as their countries grapple with the new rigours of the market economy.

In Prague they stated their intention to stand up to these pressures. At the beginning, at least, enforcement will depend entirely on them. Although the new laws make provision for enforcement of the competition rules through the courts, it is questionable how many private anti-trust actions there will be in the *absence of specialist* anti-trust lawyers and judges.

An excellent start has been made. The laws themselves are coherent and harmonise remarkably with each other. This is because they have all been based on the model of the EC competition rules – no doubt with an eye to possible accession to the Community one day.

That the agencies should be allowed to succeed in the task of properly enforcing these laws is vital for the success of the transition to a full market economy.

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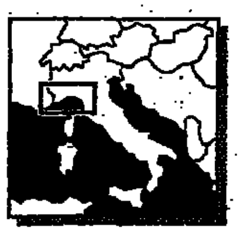
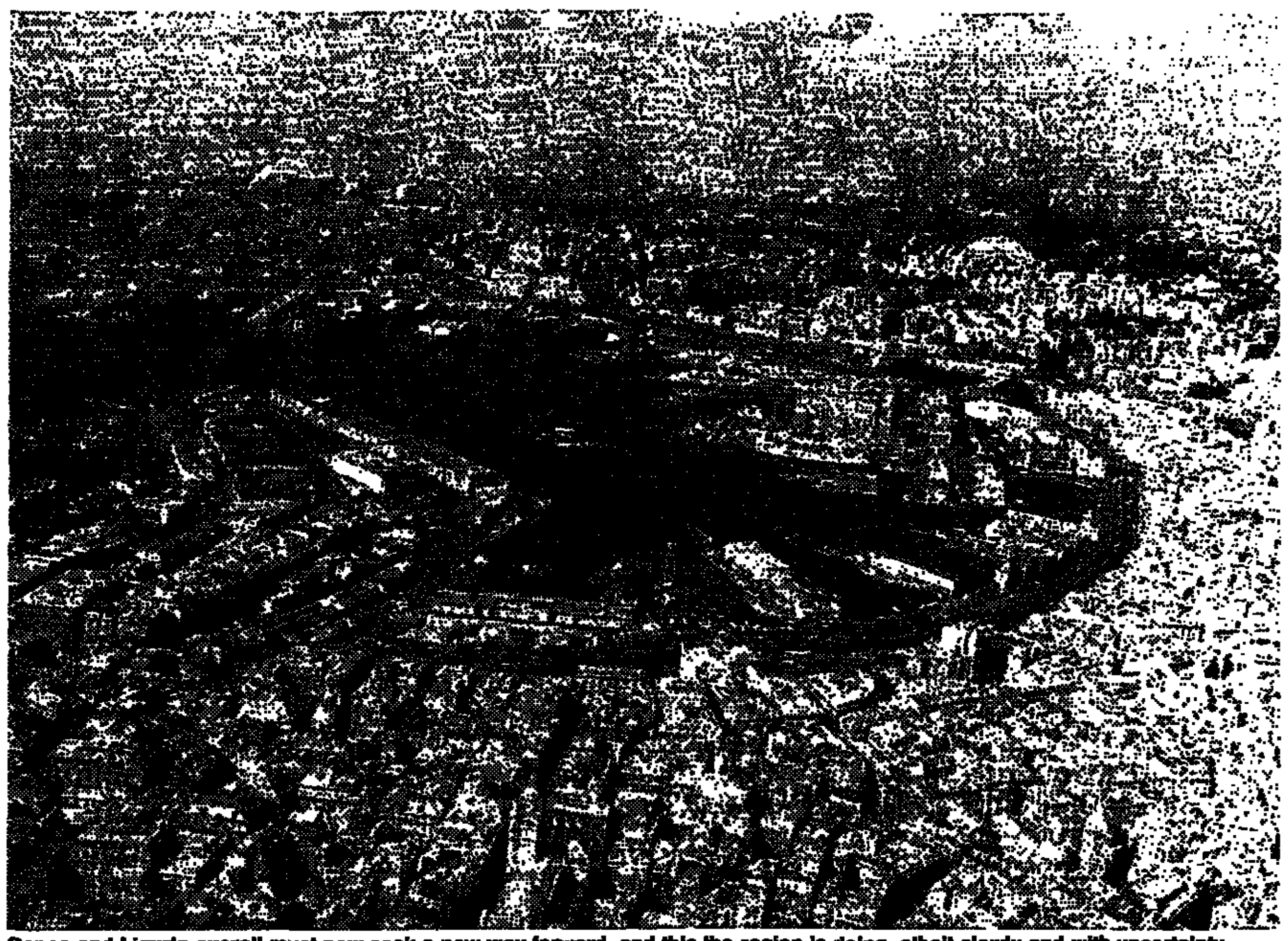


Liguria and the city of Genoa have failed to tackle the problems of the past decade which have hit the region's heavy industries. But now they are awakening to the need for change and are pinning much of their hopes on attracting high-tech industries. **Dominick Coyle** reports

Awakening to the challenge



Genoa and Liguria overall must now seek a new way forward, and this the region is doing, albeit slowly and with uncertainty

THE PORT city of Genoa is not quite Liguria, but it dominates the region. Then again, Liguria is not quite Italy, although the region nestles there in the country's north-west, *forming* an arc between the French border and the coast of Tuscany and surrounded by the powerful regions of Piedmont, Lombardy and Emilia-Romagna.

To the south lies the Ligurian Sea, and in many ways that is the key to Liguria and to an understanding of its people. Genoa and the sea have been inseparable for centuries, and the sea has been the source of its great wealth.

Founded by the ancient Ligurians in the Fifth Century BC, it was the Romans who first saw its potential as a natural trading port. Genoa has lived on it ever since, often glorious, always profitable and sometimes – and now is one of those occasions, – with some doubts about its future.

Its people have traditionally been merchants, not entrepreneurs – a distinction which most foreign businessmen quickly observe and one which some locals acknowledge, although it is now waning somewhat – and the challenges facing Genoa today call very much for real enterprise.

Genoa has for long depended on port-related activities, including heavy industry (notably steel), shipbuilding and port handling facilities, all *sectors which are now in difficulties*. Genoa and Liguria overall must now seek a new way forward, and this the region is doing, albeit slowly and with some uncertainty, but also with some imagination.

Liguria, but again very much Genoa in particular, is not without support from its history: an autonomous military and trading city state early in the Middle Ages, Genoa in the Tenth Century was the dominant naval force in the whole of the Mediterranean, and in time was to open up new flows of trade between Europe and the East, including the "silk route" to China.

Its resultant great wealth made the Genoese the first bankers in Europe, enabling its powerful city families to finance the military adventures of many European sovereigns of the day. In the 16th Century, the astute Genoese financier, Giovanni Spinola, almost single-handedly financed the Spanish emperor in many of his costly wars, using some of his high interest charges to build what is today the imposing palazzo of the Banca d'America e d'Italia on Genoa's historic and architecturally impressive Via Garabaldi, named after one of Genoa's favourite sons.

An even more favourite son of Genoa gets pride of place next year with a massive exhibition to mark Christopher Columbus and the 500th anniversary of the discovery of America. Spain has stolen a march with its long-planned 1992 Saville Expo which also has a Columbus focus; after all, it was Spain that provided the money for his great western voyage into the unknown.

It is typical of the people of Genoa that they put the blame for Spain upstaging them in these celebrations squarely at the feet of the central government in Rome which, they claim, took too long to come up with the cash, or even to a sufficiently early commitment in principle to get the Columbus exhibition show on the detailed planning road. *It* should be said, however, that the introverted and somewhat isolationist Genoese have little or no time for the central government at the best of times. They feel – and indeed geographically are – far removed from "remote" Rome. They will willingly accept substantial handouts from the centre, but will concede no right to interference or instruction from the politicians in Rome. Being Italy, there is interference anyway, but it is less visible than in other Italian regions.

That is part of the attitude, perhaps even the collective psychology, of most Ligurians, and it is probably a leftover from their own glorious and independent past. But the commitment from Rome has now arrived, if not all of the money, and the authorities in Genoa *are preparing for the great 1992* Columbus event, even if the visitor doesn't detect a great degree of real urgency or much obvious enthusiasm on the part of most Ligurians. It will probably all come right on the day.

Meanwhile, Genoa's conventional shipping business and, more importantly, ship-building, is in decline. The old port is now obsolete, as are its original functions, and a new port is being created, with the main emphasis on container handling, ferry activities and improved handling of a still active oil and petrochemicals sector.

The new grand plan for Genoa, where city will meet water almost without interruption, is overdue, and it is fortuitous that Expo 1992 has created a deadline, and provided *much of the money. The old* steel industry is on its way out, conventional port traffic is in continuing decline, and Genoa has already missed the boat in terms of the container revolution to its southern neighbouring port of La Spezia which, while part of Liguria, borders on coastal Tuscany and increasingly seems to think and plan in that direction.

The oil and associated petrochemicals industries located in and around Genoa still survive, and they did surprisingly well last year, but environmental considerations are gaining ground. In today's rather rich Liguria, compared with Italy as a whole, the creation of new jobs often seems to take second place to the quality of living, and of life.

The traditional "black economy" appears to ease the burden on those out of work. And many of them are, in any event, supported by small businesses run by their wives. Some 30 per cent of businesses registered with the Genoa chamber of commerce are run by women.

Until its decline, Genoa's steel industry not only provided the largest number of jobs in the city, but it also gave the Communist Party its great strength throughout Liguria – and guaranteed the party a highly influential role in the administration of both Genoa and of the region overall.

The party retains that authority today, exercised *largely in an informal alliance* with the Christian Democrats, although a combination of local, national and international events (not least recent happenings in the old Soviet Union) may well erode its power in time.

Nonetheless, it seems something of an anomaly that a city with more than a fair share of millionaires (and not in Italian lire terms) can co-exist so *apparently comfortably with* the Communists, even if the party has now changed its name.

Much of the "old" money in Genoa is still invested outside Italy, mainly in Switzerland, but some in property in Britain and southern France. The declining number of industrial workers still sign on as "registered" or nominal Communists, but they go home at *night to mostly comfortable* environments.

Genoa continues to have the highest percentage of home owner-occupiers in the whole of Italy or, by another measure, the second highest. In a quality-of-life measurement, by the Tesitalia Institute, Genoa does well, sixth in the country, and ahead of Milan, Rome and Turin.

Complacency? Perhaps. There were some disappointments in overall economic performance last year, and not just in the Ligurian heart of Genoa, but also in the three other provinces of Imperia, La Spezia and Savona. But it was mainly due to the poor performance of state sector industries, and regional GDP grew *by some 2 per cent; almost in* line with the national average. The small industries sector held up well, but there were setbacks in the agricultural field, mostly because the wrong weather at the wrong time hit the important flower-growing sector.

There were also fewer tourists last year, continuing a trend in recent years. All signs point to the current year not *being much better*.

The Gulf war, as elsewhere, has not helped and a big oil spill from a tanker off the Genoa coast earlier this year did not help either, although in the event the surface damage was less than initially expected.

By the average of Italian standards, Liguria's 1.7m people (well over half of them in Genoa) live a good life, and *most of them know it. But* until recently, they have ignored the growing problems of the 80s which have hit the region's heavy industries particularly hard.

They are now awakening to the challenge and to the need for change, pinning much of their hopes on attracting high-tech industries, mainly in the services area.

The new World Trade Centre in Genoa is up and running and a free port is in the pipeline, but even the optimists concede that it will be a slow, gradual process.

In retrospect, most people admit that valuable years have been wasted.

IN THIS SURVEY

Spending schedule for urban renewal

A WHOLE range of expensive projects is under way as part of the rejuvenation and development of Genoa. Some of these ambitious schemes are completed, others are due to be finished before the opening next year of the Christopher Columbus exhibition. Not surprisingly, the region's construction industry is booming.

Big projects include restoration and renovation of the old port and old city, with Italian government funding of at least $850m. The projects are being administered by various government agencies.

The new Carlo Felice opera house, with a seating capacity of 2,000, is completed at a cost of $125m and ready for opening next month.

Refurbishing the Ducal Palace, the government house of the 16th Century, in a co-operative enterprise between the local authority and the private sector, is estimated to cost $50m – and probably very much more before the work is completed.

The San Benigno office complex, a private development, is costing more than $400m.

The World Trade Centre tower and the Italpianti building are already completed and work continues on the new Shipping Tower.

The Corte Lambruschini complex, including offices, a theatre and an hotel has been completed at a total cost to the private sector developers of some $210m.

The Genoa international conference centre budget is $40m.

The new port of Voltri, at a cost of $350m and rising, will have specialist high-tech handling capacity for container traffic.

Dominick Coyle examines developments in the port complex and historic city of Genoa, core of the Liguria region

Investing heavily in the future

GENOA is investing heavily in modernising its port facilities, and building new ones. The total spend, as with most Italian projects, will certainly escalate before final completion, but the present estimate is for some $400m.

The project involves both Italian and foreign companies, and the new role of the port in the Genoese economy is to be that of a modern service centre, *including shipping* (with a big emphasis on container traffic), brokerage, technical and commercial assistance, port engineering and the already completed World Trade Centre.

On the existing port business in Genoa: some 6,500 ships dock annually and last year handled almost 44m tons of cargo, albeit a very large proportion (more than 50 per cent) of oil and related products. Some 500,000 lorries and 65,000 rail freight cars moved through the port, as did almost 2m passengers. There are roughly 40,000 port-related jobs; 180 companies of ship owners; 230 ship brokers and 140 maritime agents and 3,000 trucking companies. It's very big business indeed for Genoa, but it has been declining over the past decade and more.

In 1980, Genoa handled more than 51m tons of cargo, including oil. Non-oil traffic has changed little since then, although there has been a 20 per cent growth in container business. *Liguria's second-largest* port, La Spezia, has also seen a sharp decline in its total traffic. But it has had a spectacular rise in container handling, thanks largely to its modern facilities and a harmonious industrial relations history which puts Genoa and its workforce in the shade.

Genoa has got the message, at last. A new, largely container, port is being *built at Voltri*, some six miles from the centre of the city as part of the long-conceived (1984) Port of Genoa Development Project.

The renewal of the old port, which dates from the 12th Century and is adjacent to the city centre, is being planned around four main features – a vast complex for next year's exhibition, "Christopher Columbus: Ships and the Sea"; a tourist complex, giving back to the people of Genoa direct access to the harbour and with a range of leisure, sport and shopping facilities; a new terminal for cruise ships; and a new ferry *terminal*.

The ferry terminal, planned to be completed next year, will have a capacity to handle some 3,500 vehicles awaiting embarcation. It will feature direct on-terminal links with the national moterway system, thus by-passing the congested city traffic. The entrance will have an automated check-in system, embarcation cards being issued at the various gates to 12 berths.

The cruise terminal, scheduled for final completion in the mid-1990s, will be built within the facade of one of Europe's most famous maritime stations (Ponte dei Mille). Its vast and grand rooms with their high ceilings are being preserved and incorporated into the new terminal's design.

Meanwhile, cargo traffic is to be centred on *the new port at Voltri*, scheduled for completion next year in time for the start of the Columbus Expo. Voltri is to be state-of-the-art, with specialist sections for particular cargo, a high emphasis on automated handling and nearly automated customs clearance, with the whole complex linked to the national road and rail network.

The port management, on present plans, will mostly be in the hands of private companies, a structure which, it is hoped, will result in more efficient control and, importantly, a better industrial relations pattern *than in the old port*. Massive investment will come to nothing if Voltri cannot operate efficiently and competitively.

Planning for and overlooking all this change is the Port Authority of Genoa, a public body with a legal and autonomous status broadly similar to the port authorities in London and New York. The 1984 grand design assigned to the Port of Genoa *a new structure at three levels*; institutional, strategic and operational. The Port Authority sets overall policy, including development; strategy is handled by Porto di Genova, while at the operational level there is a range of mainly private companies, but also with the participation of representatives of the three main "companies" of port workers. They represent workers in containers, general freight and cruise ships; the bulk sector, including coal, minerals and scrap; and the ship repairs sector. One thing seems certain; in the new scheme of *things, there* will be *fewer* port workers.

Finally, there is already an advanced data processing and telecommunications network within the port area, and to the outside world.

The *existing* container *terminals* – Genoa was the first Mediterranean port to open a specialist container terminal, while La Spezia today ranks as the largest container port in the region – are inter-connected *in a sophisticated* fibre optics system. Sistemi & Telematica, the company handling the port's communications, is already planning to update the network for users, including the shipping companies, agents, freight-forwarders and road haulage operators.

The experimental phase of the first part of the port users' information system is complete, to manage the processing of operational and administrative documentation, including cargo manifests, container handling information (loading, unloading, gate in and gate out), orders, booking and invoicing.

And Genoa will be the only port in Italy with its own teleport network; a ground-based system will link the city via satellite to data, voice, image and text transmission systems serving the principal shipping centres of the world.

A computerised service, Portotel, already provides customers with data and other information on port operations and traffic. *In shipping*, time is money; Genoa is hoping that its massive investment in port facilities and technology will bring back the business.

Drastic solution is needed

GENOA, the core of Liguria, has a famous past but a somewhat uncertain future. The port city saw the start of the industrial revolution in Italy, albeit almost a century after Britain's, and British commercial contact and direct investment assisted early industrial development of the region.

Trade then at least was still following the flag; Britain's first consulate in Europe was in Genoa, although others make a similar claim for Florance. The present British consul in the city, Mr Michael Wicks, is sticking to his guns.

What is not in dispute is that Genoa was the first part of Italy to go down the industrial road; the region produced the first motor car, the first military field tank and the first aeroplane. The Rinaldo Piaggio company is still very much in the business of making highly successful aircraft.

But being first did bring its own problems. The rich early rewards for Genoa, and indeed in other parts of Liguria, produced in time a complacency when, ultimately, change was desirable and then became essential.

The early 1980s saw the decline of Genoa's heavy industries, *particularly in the steel* sector, and with high costs and the absence of technological change undermining the traditional strength of Genoa's port, neither employers nor the by-then powerful trade unions could see – or wanted to see – the writing on the wall.

Managements in the state *sector companies were frozen*, awaiting political directives from on high in faraway Rome. Confrontation was the order of the day, most employers stood aloof, and the trade unions stood their ground.

Curiously, the situation was much less confrontational in the administration of the city. There, the Christian Democrat party, sheet-anchor at national level of every government since the Second World War, and the Communists, in essence shared the spoils and provided patronage to their respective supporters.

They still do to a large extent in Genoa and throughout Liguria, even it they don't go out of their way to advertise the fact. There are, nevertheless, coalition alliances, although one can sense that the power of the renamed (at national level) Communist party in the region may be on *the slide*.

International events aside, not least in the Soviet Union, the very sharp decline in employment in Genoa's traditional heavy industries can not be helping the Communist cause, and Liguria also has a steadily ageing population and a very low birth rate.

The cosy management-union relationship was fine in a rising market and with little competition from low-cost producers and suppliers elsewhere in the world. But the unions, supported by the local Communist party, continued to demand, and to get, rates of pay which made the cost of the end product – whether in steel, shipbuilding or the handling of port traffic – such that the business went elsewhere.

Many employers acquiesced in the private bargaining and perceived mutual self-interest in order to buy industrial peace and in the hope of subsidy handouts from the Rome government.

This tidy, and until lately widespread, Italian arrangement was rudely interrupted by the European Commission in Brussels with its directives limiting the freedom of EC member governments as to *what payments they may make* to prop up ailing industries or to support new ones. Genoa, for one, has felt the squeeze, most particularly in the key steel sector but also indirectly in port activity and in shipbuilding.

The response in Genoa, which represents well over half *of virtually everything in Liguria*, from population and the available labour force to electricity consumption and the handling of external trade, has been an intermidable debate and, until quite recently, little else.

City and regional politicians, the big state sector companies, private industrialists and the trade unions argued long and apparently inflexibly as the area's industrial base declined even further.

Everyone was agreed that something drastic needed to be done *although* no one could or would agree on what.

The key port workers, in an uncanny parallel with an earlier era by dockers in London which ultimately killed its port, continued to press for higher pay while rejecting new working arrangements, particularly for handling container traffic. They finally reached an *agreement of sorts on container* traffic earlier this month, but it may be academic, at least for a while, since most of the container business has already moved south to the more accommodating and less expensive port of La Spezia, which now has more business than it can handle.

The smaller port at Sovana could handle more business, but theoretical co-operation between Liguria's four provinces stops short of such transfers.

Now, suddenly, the overall mood has changed, but in Genoa no one quite knows why. The best guess, and it is supported by Prof Giovanni Persico, president of the regional parliament for Liguria, is a general if long-overdue recognition that the crisis facing Genoa could be terminal if *something* drastic is not done.

Confrontation has turned into co-operation between representatives of state industries and the private sector, within the chambers of commerce (chambers throughout Italy are relatively well-financed public bodies) and even, to a degree, among the political parties.

The mood change has also had a focus in the need for Genoa to do something to mark the 500th anniversary of the discovery of the Americas by the city's own son, Christopher Columbus. Next year's Columbus Expo has dictated action, and where better than in the declining port area.

The old port is being turned into a vast exhibition area, modern port facilities are being created on another site, including a new terminal for handling containers, an updated terminal for cruise and ferry shipping, a marina and improved facilities for ship repairs and, of course, the already completed if greatly underemployed nearby Genoa airport.

The May 1992 deadline for the start of Expo is concentrating minds wonderfully, not least in Rome which has to pay for most of the work. Fortunately, much of what is being planned for the Columbus exhibition will live on, giving a big and long overdue renewal to the vast Genoa port zone.

The whole process is being rolled into a progressive programme of urban renewal gradually opening up access to the old city, and to improving *Genoa's overall amenities*.

It is an overdue process right now. If next year's Expo attracts the expected tourist crowds – one semi-official estimate talks of more than 3m visitors – goodness knows where they will all stay. A relatively routine trade show in Genoa is worst than the Frankfurt Book Fair when it comes to finding accommodation.

It will be even harder to get into the first night (next month) of another great event in the life of today's Genoa, the opening of the new Carlo Felice 2,000-seater opera house. The original Teatro Carlo Felice was destroyed by wartime bombing in 1943/44. It has taken 40 years, and some $125m, from the initial decision to go ahead to the completion of the new Carlo Felice.

The people of Genoa will probably be arguing about its exterior design – stark and totally incompatible with the old city – 50 years from now, but inside it is a modern, functional and artistic wonder. Appropriately, the new *house* will open with *Il Trovatore* since Giuseppe Verdi, while not a son of Genoa, was a great admirer of the port city.

Genoa's determination to restore the Carlo Felice and to remember Christopher Columbus, shows that the city can focus on the big issues – eventually it may even accomplish it in urban and industrial renewal. A start has been made at last.

Dominick Coyle

■ SHIPBUILDING

Military cutbacks curb orders

FINCANTIERI, part of the giant state-controlled industrial investment holding company, Istituto per la Ricostruzione Industriale (IRI), builds ships in Italy, but nowadays not too many of them.

Last year it lost an estimated $219m in the process and it would like to get out of the business, just as another IRI company, ILVA, also a very sizeable loss-maker, wants to quit steel-making in Genoa.

Traditionally, Genoa has been the city of shipbuilding and ship repair yards, but no more in any great volume. This is in part because fewer ships are being built, but also owing to intense competition from lower-cost yards in other countries.

The situation has not been helped by the EC Commission in Brussels which (as part of a much wider investigation) is currently looking at the big state subsidies enjoyed by Italian yards, both state-owned and private.

But the biggest immediate squeeze is on the demand side, and this has been aggravated in very great measure by cutbacks in the so-called "military" area, namely vessels for the Italian navy, principally warships.

Military procurement has for long been the sheet anchor of the Italian (and Genoese) ship building industry, and the orders have now just about dried up as part of a general curtailment of military expenditure against the background of what one trade union spokesman in Genoa described dejectedly as "peace breaking out all over the world."

Some shipyards have tried to switch operations to associated areas, including oil rigs, but the competition in that area is also intense.

Others have re-tooled to aim at the leisure side of the industry, including yachts and pleasure craft, but this end of the business has long had specialist and quite profitable providers in Italy, including a number of small yards throughout Liguria, and few of the commercial and military shipbuilders have made the switch successfully; fewer still have made it profitably.

Some large orders have been coming through for cruise ships, but the emphasis is on size, and the Genoa yards just have not got the capacity.

Costa Crociere, among the top six in the world cruise market and run by a family very much a part of Genoa, has had to go to Fincantieri's Marghera yard in Trieste for its new 50,000-ton vessel, the Costa Classica, which is to be aimed at the profitable Caribbean cruise market. A second Costa order has also gone to the Marghera yard, although the company has placed some smaller orders with the Genoese shipbuilders, Mariotti.

The ship repair side has been more encouraging, although here again there has been a sharp cutback in business from the Italian navy and intense ompetition from yards in other countries.

But Genoa still has one of the largest and best-equipped ship repair centres in the whole of the Mediterranean, operating out of three yards at Gadda, Giano and Levante covering a total area of some 425,000 sq m.

There has been a heavy investment programme in the yards in recent years to improve logistics and technology.

The area has six dry docks with improved lifting equipment, and employs some 3,000 workers in a wide range of specialities.

The workshops can operate on a 24-hour shift basis "and are ready to go into action at any time, thus avoiding delays for waiting ships."

Riparazione Navali Porto di Genova SpA acts as main contractor, co-ordinating work on repairs and conversions among some 50 Italian companies whose main activities include repair and fitting out yards; steel structure work; electrochemicals and electronics; woodwork and design; and hull cleaning, painting, flooring and sand-blasting.

But as in Genoa's all-but-defunct steel industry, costs have been escalating in the ship repair and conversion operations. Business, inevitably, is going to lower-cost yards in other countries.

Direct and indirect government subsidies have concealed sharply rising costs over recent years in a business which is highly labour intensive.

There are few people in the Italian (or indeed the world) shipping business who question the quality and skill of Italian shipyards – indeed teams of workers frequently go abroad on contract, including to the US.

But the big question mark today is on price.

Dominick Coyle

Traditionally, Genoa has been the city of shipbuilding and ship repair yards

SHIPYARD CONSTRUCTION IN LIGURIA (including tonnage)

Year	Ships started	Ships finished	Under construction
1980	13 (75,204)	15 (52,947)	17 (171,044)
1981	19 (61,805)	14 (71,009)	26 (168,400)
1982	17 (113,745)	12 (44,250)	31 (237,895)
1983	11 (5,090)	14 (62,430)	28 (180,555)
1984	21 (38,120)	19 (75,145)	30 (143,530)
1985	44 (89,447)	23 (37,580)	52 (195,397)
1986	7 (38,057)	20 (28,032)	31 (123,839)
1987	21 (40,266)	12 (63,608)	40 (100,496)
1988	12 (38,117)	15 (24,035)	31 (109,416)
1989	20 (66,683)	14 (24,693)	44 (170,680)
1990	8 (12,980)	18 (57,759)	35 (149,208)

Note: excludes vessels of under 100 tons

Source: Registro Italiano Navale.

Dominick Coyle reports on the end of steel production in Genoa

High-tech challenge looms

THE STEEL industry and the port city of Genoa have been inter-dependent partners for the past four decades, but divorce is imminent.

The industry has been the area's biggest single employer for more than 30 years, but no more. What's left of the steel industry in Genoa will have gone entirely within the next couple of years as part of the curiously – or encouragingly, perhaps – named "Project Utopia."

For the city it will be very much an end of of era; "Utopia" is the plan to oversee the final dismantling of all steel production in Genoa and, hopefully, its replacement with a range of high-tech industries. It is quite a challenge.

Steel came to Genoa as part of Italy's grand industrial design after the Second World War. The De Gasperi government of the day decided that post-war Italy needed to be self-contained in steel production in order to power the country's industrial reconstruction and development. Genoa was earmarked as the centre of the new steel industry, given its impressive port and its proximity to the industrial heartlands of Turin and Milan.

A site of some 250 acres was won from the sea in a massive land reclamation and engineering project to establish a vast steel complex as part of the giant state holding company, the Istituto per la Ricostruzione Industriale (IRI).

No one at that time worried about environmental issues or the massive industrial eyesore on the Genoa skyline; jobs were more important, and in due course the steel works provided more than 15,000 of them in a city, be it said, with no industrial tradition.

The port of Genoa was developed and expanded to accommodate the steel industry and, by government decree, port workers servicing directly the steel industry were designated as special-category employees outside the normal recruitment range of the trade unions.

The unions were, however, free to organise the workforce in the steel industry itself, a unique arrangement which inevitably led to industrial conflict. The port and the steel industry have rarely been short of disputes ever since, but more especially in recent years with the decline of steel production and of traffic through the port.

There were many reasons for this decline, and not just the drop in national and worldwide demand for steel.

Under pressure from the trade unions for ever higher wages, and also a fair measure of restrictive practices, Genoa became a very high-cost producer of steel in the face of new low-cost operations in other parts of the world. Production processes failed to keep up with technological change and the conversion to specialist steel fabrication was too long delayed. This was not, incidentally, because of incompetent management, but due to the usual processes of delay by IRI's ultimate paymaster, the central government in Rome, to approve change and authorise necessary investment.

Belching smoke and industrial pollution became the concerns of the late 1970s

Environmental issues, too, began to surface; jobs were the priority of the 1950s, but belching smoke and industrial pollution became the concerns of the late 1970s.

Genoa production was by then already at a competitive disadvantage with low-cost producers elsewhere, and the high investment required to make the Genoa plant more environmentally friendly, including the fitting of massive industrial filters, was seen to virtually put the steel business out of business – certainly in terms of price.

Politics, as ever in Italy, also played a key part. Pressures to open up the depressed southern part of the country, encouraged by regional political influences, brought a government decision to establish a second big steel production centre in Italy. This was at Taranto, on the instep of the Italian boot more than 1,000 miles from Genoa and more than half that from Rome itself. Taranto was and remains almost as far south as you can get without falling into the sea.

The arguments favouring Taranto were entirely political, and the decision was made in the face of strong and compelling industrial counter-arguments advanced by the management in Genoa. But all to no avail.

Not for the first time, and certainly not the last, the IRI group was used by the politicians in Rome as an agency of not only industrial but also social (and political) policy; the argument that Taranto, relative to Genoa, would be a lower-cost producer convinced no one, but the political case won in the end.

The remnants of steel production in Genoa are now to be moved south as part of what most people in Genoa believe is a blatant private deal between various factions of the Christian Democrat party.

What they are waiting to see is the price; what is Genoa to get for losing its last toe-hold in steel after almost 40 years? This being Italy, no one is saying – and, for the record, no one is even prepared to say that a deal has been done.

What is sure is that Genoa is to lose what is left of its loss-making steel industry, and the administrators of the city are seeking a new Utopia.

The emphasis now is on attracting high-tech alternatives to replace the lost jobs, although employment in the steel sector had already dropped to little more than 3,000.

The new Zona Franca (free port) in Genoa is the brainchild of Professor Victor Uckmar of the University of Genoa (he has advised both the Soviet and Chinese governments on the establishment of free port zones) and is intended to make up for the jobs lost in steel.

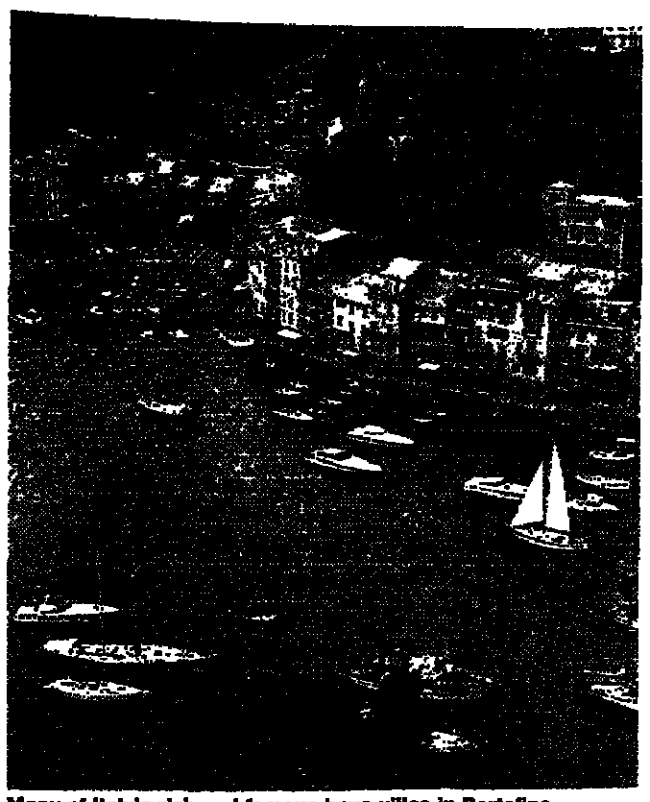
Its shareholding combines the local Chamber of Commerce, the Genoa Port Authority and FILSE,the financial agency of the regional government of Liguria. It is shortly to get a new and powerful additional shareholder in the shape of Liguria's largest banking group, the Cassa di Risparmio di Genova e Imperia.

Outside of Liguria, the loss of the steel industry is seen as a regional disaster; in Genoa itself, few seem to be greatly concerned, perhaps accepting the inevitable, but also arguing that a city without an industrial tradition was never a suitable home for steel in the first place.

What is Genoa to get for losing its last toe-hold in steel after almost 40 years?

Better, it is said, to get back to roots, back to what Genoa has always done best – trading. Technology-based industries may not quite be trading, but are closer to the culture of the city than steel production.

It is although the steel industry was imposed on Genoa against its will, and its time has gone. Trade unions apart, no one seems overly concerned, and the environment lobby is certainly happy.



Many of Italy's rich and famous have villas in Portofino

Haig Simonian reports on problems in the tourist industry

Troubled money-spinner

SANDWICHED between the sea to the south, the mountain ranges leading to the Apennines in the east and the Alps to the west, Liguria forms a narrow arc around the Gulf of Genoa, creating one of Italy's tourist magnets.

Rarely more than 20 miles wide, Liguria includes over its 155 miles in length many of Italy's most famous seaside attractions and resorts.

Genoa, at the tip of the arc, divides the "Riviera di Ponente" to the west from the "Riviera di Levante" to the east. Both are equally famous, although the eastern sector has the more up-market image now, largely thanks to the VIP status of Portofino, the picturesque little port which hosts the villas of many of Italy's rich and famous.

Tourism accounts for some L4,000bn in annual turnover, making it one of the region's leading money-spinners alongside commerce and industry, says Mr Carlo Arcolao, director of Liguria's tourism development office.

The mix of tourism is heavily weighted towards Italians, who accounted for 77 per cent of all hotel bookings last year. That figure excludes those who maintain second homes in Liguria. These vary from huge villas in the hills above Portofino owned by the Agnellis, Pirellis and the like, to the scruffy concrete beehives along the coast hurriedly built in the early 1960s to tap a newly-rich market.

Despite its good climate and fine scenery, Liguria's tourism is experiencing tough times, with the number of visitors in summer declining steadily. According to figures for San Remo, one of the main resorts in the region, the number of Italian visitors in July was down by 9.25 per cent while that of foreigners decreased by 7 per cent.

Mr Arcolao says the fall in summer tourism, especially among foreigners, has been compensated by an increase in wintertime visits by Italians. However, the net effect is still a reduction.

The problems in the tourism industry have both general and specific causes. Summer tourism has been losing ground for some years as Italians have opted for other parts of the coastline or foreign destinations. The slight economic downturn in the past 18 months has also made visitors more cost-conscious on the Italian Riviera.

This year has also brought specific problems. The collision in April between a Sardinia-bound ferry and a tanker was followed within days by the fire on the supertanker "Haven" which sank in the Ligurian sea with thousands of gallons of crude oil on board.

Pollution was limited, but the bad publicity, coming just as many families were planning their summer breaks, stuck. More recently, there was panic in some areas following the surprise sighting of a shark off the coast.

Special circumstances also partly explain the fall in the number of foreigners. Traditionally the most numerous of Liguria's foreign visitors, the Germans have this year been much less evident owing to new opportunities at home and greater cost-consciousness.

Although Liguria's resorts are now known primarily as summer destinations, their touristic origins are almost invariably winter-based. A mild winter climate and plenty of sun were certainly among the reasons which led to the development of resorts such as Santa Margherita on the Riviera di Levante or Rapallo, slightly inland.

Further along the coast are the famous "Cinque Terre", five tiny fishing ports, only some of which are accessible by car, which combine scenic beauty with a sense that life has stood still. Barely scarred by development, the five, linked only by a seaside railway and a beautiful clifftop path, sum up the best of what Liguria has to offer the visitor.

The western Riviera is slightly different, with much more evidence of commerce and industry, as well as hundreds of *horticulturalists*, particularly around San Remo, which has become Italy's principal flower market.

Many beauty spots remain. Heading west towards the French border, the backdrops become increasingly spectacular. San Remo, despite its unchecked growth, still maintains an old town perched on a hilltop above the more recent urban sprawl, as do Bordighera and Ventimiglia further west.

The fact that all three have strong similarities with the old quarter of Menton, the first town on the French side of the border, reflects the western Riviera's often common roots with its French neighbour, the Côte d'Azur.

However, haphazard development in Italy over the past 30 years means the French Riviera, stretching from Menton, via Monte Carlo to Cannes and beyond, is often the more appealing destination.

Such proximity poses a problem for Liguria. For while local authorities and regional administrators strive to keep up standards and offer new services, they are painfully aware that France is just a hop away.

For increasing numbers of Italians, the Côte d'Azur often offers not only much better infrastructure and civic amenities, but also the appeal of being "foreign". The fact that French hotels, restaurants and services, even on the Riviera, are often better value than their Ligurian counterparts has just added to the pressure.

■ PROFILE: Renzo Piano

A favourite son

IN GENOA they say it is easier to get an audience with the Pope in Rome than with the now very distinguished native architect, Renzo Piano.

The fact that he lives in Paris may not help, but then again Piano is just as likely to be in Amsterdam or Osaka in Japan. The jet-setting image is understandable, the reality is somewhat different.

Piano, 54, is master-minding part of the exhibition in Genoa to mark the 500th anniversary of the discovery of the Americas by another of Genoa's favourite sons, Christopher Columbus. He is doing it with style and love; he is immensely proud of his native city.

He is also using the Columbus Expo to start a process of urban renewal in Genoa and, in particular, to bring city and sea back together, to open up the waterfront to the people.

He has about $600m of public funds for the project, much of *it extracted from the Italian* government after a series of meetings with Guilo Andreotti in his capacity as foreign minister and then as prime minister. Piano moves in elevated circles but, he stresses, only to get things done; to get projects off the ground.

The son of a successful Genoa building contractor, young Renzo initially disappointed his father by opting for architecture rather than entering the family business.

The disappointment did not last. Having just turned 30 and still quite unknown, Piano won, with Richard Rogers, a competition for the design of the Georges Pompidou cultural centre in Paris. His career immediately took off.

The Pompidou centre was followed by other distinguished assignments, and by many which represented a challenge to Piano. He has designed one-family homes in Milan, the Menil Collection museum in Houston, the Olivetti office block in Naples, the Bercy commercial centre in Paris and the new football stadium in Bari in the south of Italy.

The Columbus Expo project in Genoa is the most pressing project but Piano and his team (up to 100 architects and support staff in Genoa, Paris and Tokyo), are also handling a new science and technology museum in Amsterdam, the Kansai international airport in Osaka, rehabilitation of the old Fair Quarter in Lyon and of the Fiat Lingotto factories in Turin.

Piano found time to talk with the Financial Times in the new Renzo Piano Workshop outside Genoa where, in association with Unesco (the United Nations Educational, Scientific, and Cultural Organisation), he and his team are studying the potential uses of natural substances, and especially national fibres, in construction. In part this is a reflection of his own obviously strong commitment that design and construction should work with and be part of its environment, not in conflict with it. He gives the impression of working on it 25 hours a day, and expecting little less from his colleagues.

Of the trappings of his obvi*ous commercial success, Renzo* Piano shows none, apart perhaps for his small cigars. A modest reward.

Dominick Coyle

■ PROFILE: San Remo

Flawed pearl

ONCE called the "pearl" of the Riviera, San Remo, the main tourist resort between Genoa and the French border, has long lost its lustre.

San Remo's fate is an object lesson in how unbridled capitalism, and possibly corruption, can swiftly ruin even the advantages of a fine location and a kind climate – and in the process create urban chaos.

Uncontrolled growth in the 1960s and 1970s has turned what may once have been a pearl into a jungle. By doubling its population to 60,000 in less than 30 years, a quiet town, discovered by the British aristocracy as a winter watering-hole in the 19th Century, has degenerated into a summer dive.

San Remo in the winter may still have its charms. Mr Antonio Sindoni, the local councillor responsible for tourism, stresses that the winter season is nothing like its summer equivalent.

Summer-time San Remo is to be avoided. Inadequate roads and parking, and ribbon development outside the immediate city centre, have turned the town into a nightmare for motorists and pedestrians *alike*.

Uncontrolled development during San Remo's boom years has left the town an eyesore. As many of the 19th Century villas occupied by notables such as the Nobels and even Kaiser Friedrich III of Germany, fell victim to the bulldozer, their successors – a motley collection of flats, hotels and offices – not only lacked harmony, but appeared scruffy, too.

San Remo: uncontrolled development during the boom years has made the town an eyesore

Mr Sindoni makes no bones about the mistakes of the past. There was "an assault of cement" in the 1960s and 1970s, *he recalls. The city* "lost control of itself" and developed all the problems of any town "which grows too fast".

The cause was partly political, but probably not all of San Remo's own making. Inadequate zoning laws and lax planning controls allowed speculative developments in much of Italy at the time. Meanwhile the Italians' new wealth created an upsurge in demand for second homes.

San Remo is a town with "the sort of material and economic interests of a much bigger city", he says. Its politi*cians failed to come up with* "an adequate response" to the material challenges they faced.

There is no better focus for such "material" interests than the casino, built decades ago to stop Italian money flowing across the border to Menton and Monte Carlo. The casino, along with the annual late-February music festival, are San Remo's two biggest draws, and probably explain why its reputation is so much bigger than it deserves.

Mr Sindoni tries to look on the bright side. New car parks are being built to help reduce *the roadside chaos. Traffic* should also be relieved once a new by-pass is completed.

The new road will ease congestion on the Via Aurelia, the old Roman route which cuts through San Remo and is still the primary route along the Ligurian coast. The road, much of it in tunnels, will lie between its clogged predecessor and the Autostrada cutting through the hills to the north.

San Remo's third, and more distant, hope, is to remove the coastal railway line which runs parallel to the Via Aurelia along much of the western Riviera. While the occasional train arguably adds character, the railway divides the town from the sea and creates a thin "belt of iron" hinting more of industry than tourism, according to Mr Sindoni.

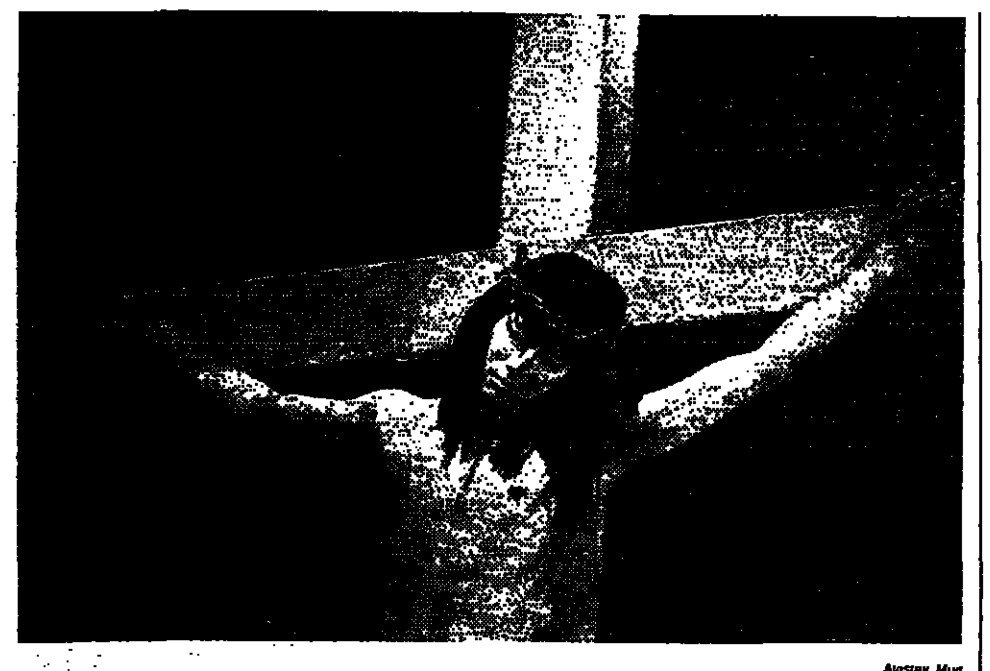
Shifting the railway will allow the creation of a "green belt" by the sea and reinforce efforts already made to improve San Remo's waterside facilities, he says.

Those will also help the appearance, but hardly transform, San Remo's meagre and grossly-overcrowded beaches, which tend to be sandwiched between existing facilities such as the park and the railway station. Seekers of endless sand should look elsewhere.

However, some efforts are already bearing fruit. Good design and careful planting at *the marina have brightened up* a previously shabby area. But "the pearl" still has a long way to go.

Haig Simonian

ARTS



Alastair Muir

Christ meets kabuki: Yuichiro Yamaguchi

Jesus Christ Superstar

DOMINION THEATRE

If there is proof of an afterlife, it lies in Keita Asari's magnificent production of this early 1970s musical, in which Christ meets kabuki at a halfway house between Euro-rock and traditional Japanese theatre. The show has been in the repertory of Tokyo's Shiki Theatrical Company since 1973 in two incarnations, of which this stunning kabuki version is the earlier.

Musically, it remains remarkably faithful to Tim Rice and Andrew Lloyd Webber's original, bustling through the ballads and pouring forth the choruses; indulging the sentiment of the score only to provide immediate dramatic contrast with the muscle of the ensemble singing.

Visually, it is a spine-tingling mixture of hippie exuberance and Eastern asceticism: white-faced figures hurl themselves around the stage as an Afro-haired Judas advances down a ramp of upturned wagons, forming disarmingly into a go-go dance as Jesus makes his entrance – a head of sleek black hair taller than anyone else on the stage.

Yuichiro Yamaguchi's physical stature is heightened by the stunning lighting to a luminous reserve. While the rest of the company thrash around in puddles of yellow light, Jesus glows glacially white. A moment of irreverence brought the Red Indian chief of *One Flew Over the Cuckoo's Nest* to mind as he weighs into the moneylenders, fights to keep his head above a tide of supplicating hands, or looks on in serenely as he is swayed on the shoulders of the mob in time with their hearty "Hosanna".

Of course, the trouble with this approach is that it denies Christ the common humanity that gives depth to the torment of his disciples and betrayers. Mary Magdalen (played by a woman, against the all-male kabuki tradition) is lightweight, while Jun Sawaki's Judas disappears to his death over the ramp of wagons as if succumbing to a bad acid trip.

But it is a pleasure to see a director capable of creating such grandeur from such apparent simplicity. Asari's control of the stage is total; the singing is superb. The most thrilling moments come when he manages a union of East and West: moments such as the witty rendition of "Herod's Song" by a transvestite in garish kimono whirling a stave like a drum majorette; or the crucifixion itself, in which the cross is hoisted behind a three lattices of staves held by leering grotesques, while a ripple of organ music whisks us gently back to Christianity.

Claire Armitstead

Miss Julie

KAMMERSPIEL FRANKFURT

"Sick like its author", was Strindberg's verdict on first seeing *A Dolls House*. A few years later, he answered Ibsen's feminism with *Miss Julie* (1888), portrait of a man-hating Amazon whose independent sexuality breaks loves and lives.

In a midsummer night's frenzy, Miss Julie seduces servant Jean, then kills herself when he repudiates her. Theirs is a double battle: sex – "he is the aristocrat because of his virility", Strindberg insisted – and class: the valet lives on while Miss Julie ("in all of us Aryans there is something of the nobleman") dies for honour.

Class and sex hatred breathes life into the play, but it takes a skilled contemporary director to negotiate pitfalls of snobbism and misogyny and let the unconscious motivation, the revelations of inner turmoil, speak for themselves. A century on, while strong productions can still make *A Doll's House* seem revolutionary, *Miss Julie* is a tougher nut to crack.

In Leander Haussmann's major revival of the new Frankfurt season, the play remains a hard, resisting kernel at the centre of a whirligig of irrelevant trappings, additional sub-plots and fancy diversions. An extra cohort of women in white throw midsummery glances at Jean; Julie (Martina Schumann), the most moonstruck, seems almost incidentally the one to get him under the table and hump up and down with tablecloth as sheet and broken guitar as pillow. Jean (Matthias Brenner), unbothered by all the attention, is Leporello rather than Don Giovanni, proudly boorish where Strindberg intended wily social climbing, yet easy match for his mistress in cultural razzle-dazzle. When she sings Cherubino, he responds as Papageno; she quotes Hamlet, he answers with Faust. There's rock too, the girls in white howling like Elvis fans when Jean removes his jacket to bop; judo-cum-tapdance in the famous moment when he kisses her shoe, and country and western as Miss Julie finally walks off stage - not, here, to suicide, but to sit out the dance.

Strindberg as variety show, *Midsummer Night's Dream* with only the rude mechanicals and no awakening – if Haussmann wanted cheerful spectacle, why did he choose this play? As an entertainer, he is unable to distinguish wedding from funeral. Heavy symbolism – pearls spilling to the ground at the first embrace; a midsummer maiden brought on dead to compensate for Miss Julie's survival; a green finch slaughtered, its blood drank as wine – shoots through the slapstick and song like the ghost of Thomas Hardy at a comedy writer's feast. *Miss Julie* is a one act short sharp shock of a play; Haussmann's clutter spins it out to two and a half hours. The only unity is that cheap thrills dictate melodrama and farce alike. Methinks Strindberg has been entangled with an ass.

Jackie Wullschlager

British win at the Prix Italia

Yesterday in Pesaro the first three full-blown Prix Italia awards for 1991 were announced: British competitors won all three: of the three additional "special" prizes, the British won two. In the first of the television categories, Arts, they achieved a clean sweep. The Prix Italia was won by the BBC with the inspiring programme, *From Moscow To Pietushki*. The special award went to Channel 4's *TV Dante*.

In this year's "extra" category, for television credits and title sequences, the jury watched 92 entries and awarded the Prix Italia to *The South Bank Show*. The special prize went to Channel 4 for the "best over all package" which included the titles for *Going Loco, Eurocops, The Manageress* and others.

In the radio music category the Prix Italia was awarded to *Who Pays The Piper* a hilariously funny half-hour history of music, in the form of a poem by Richard Stilgoe, made for Radio 2.

Christopher Dunkley

CINEMA

Hellish visions explore the haunted mind

JACOB'S LADDER **Adrian Lyne**
MEETING VENUS **Istvan Szabo**
A RAGE IN HARLEM **Bill Duke**
RHAPSODY IN AUGUST **Akira Kurosawa**
THE OBJECT OF BEAUTY **Michael Lindsay-Hogg**

Although his talent has never been in doubt, Adrian Lyne has always stood accused of slickness and superficiality in his approach to filmmaking. *Jacob's Ladder* provides an emphatic answer to these charges. It is his finest, most serious piece of work to date, a film whose admitted flaws somehow fail to detract from its strange power.

Jacob's Ladder tells the story of a Vietnam vet (Tim Robbins) who is plagued by memories of one confused battle in which members of his platoon seemed to go collectively insane. Several years after returning home, these bad memories start to become hellish visions. He sees his girlfriend (Elizabeth Pena) coupling with a demon, watches a horn sprout from the head of a nurse, hallucinates about his son who died in a traffic accident some years earlier. These visions are so intense that he suspects he may be suffering a delayed reaction to something that happened to him in the war. He begins an investigation which leads him into a web of government intrigue, the occult and, ultimately, his own troubled psyche.

It is a compelling, confusing and often brilliant film, keeping you off-balance while still holding your attention. Robbins is excellent, his pensive, doughy face capable of remarkable expressiveness as he wanders through dreams, moods and situations. Screenwriter Bruce Joel Rubin writes with more maturity and less sentimentality than he brought to bear on his earlier film, *Ghost*, refusing pat answers or easy outs. Only at the very end does his story falter by adding one layer of meaning too many.

Lyne's direction is both less steady and more inspired than in *9½ Weeks* or *Fatal Attraction*. The expected remarkable effects are all here – the heartbeat-like thump of a helicopter as it hovers above a wounded soldier, the stroboscopic bestiality of Pena's demonic dance, the charnel terror of an imaginary hospital. And yet, there is now a sense that Lyne is not so much creating imagery for its own sake as using it to explore a man's haunted mind. He stumbles occasionally in this attempt, especially by letting things drag a bit midway, though even here I felt these were the flaws of a virtuoso pushing himself for once, rather than playing it safe. It is a pleasing change to witness.

Another director who seems to be changing course in mid-career is Istvan Szabo. *Meeting Venus* marks a radical departure from the epic profundities of *Mephisto* and *Colonel Redl*, showing Szabo to be a satirist with a pleasingly light touch. Unfortunately, he cannot in the end resist the temptation to weigh his work down with symbol and meaning, making for a film that leaves you feeling a little cheated.

Meeting Venus details the tribulations of a Hungarian conductor (Niels Arestrup) as he attempts to stage a major production of *Tannhauser* in Paris. Despite his high aspirations, rehearsals soon degenerate into farce, with union trouble, international infighting and a temperamental Swedish diva (Glenn Close) combining to turn an artistic undertaking into a bureaucratic nightmare. In this show, even the understudies turn out to have dirigible-sized egos. Szabo's rendering of these backstage squabbles is often hilariously telling, such as when a cacophony of alarm watches interrupts a Wagnerian chorus to indicate that it is time for a coffee break.

Satire is abandoned, however, the moment that Close and Arestrup share an umbrella during a Paris rainstorm and fall madly in love. Suddenly, light artistic folly is replaced by brooding *amour fou*, making for an ineffective melodrama that tries to echo the high themes of Wagner's work. And that's the problem – Szabo renders the lovers' emotions in operatic terms, with big lines and inflamed emotions that have no grounding in reality. When Arestrup gets arrested trying to break into Close's hotel room, or she tells him he's the love of her life, you wonder if you've missed some scenes. The profundity Szabo hints at here is a big empty. It is as if he forgot what he was poking such wicked fun at in the first part of the film. Arestrup labours heroically to keep up with the script, though Close's inexplicable transformation from a headstrong diva to a doe-eyed, crush-ridden girl seems to have befuddled even this most canny of actresses. You cannot help but wish that the lovers had gone on hating each other – it would have made for a more consistently enjoyable film.

Love of a rather less ethereal nature can be found in *A Rage in Harlem*. Set during the 1950s, it tells the story of a pious undertaker (Forest Whitaker) who becomes involved with a voluptuous gangster's moll (Robin Givens) after she arrives in Harlem with a cache of stolen gold. Unfortunately, Given's double-crossed boyfriend is hot on her trail, forcing Whitaker to seek help from his conman half-brother (Gregory Hines). A series of raucous, violent episodes ensue, leading to a finale neater than anything you would ever find in real life.

Despite the temptation to lump it with the current wave of African-American cinema, *A Rage in Harlem* is really conventional Hollywood fare, blending love story and crime drama into a concoction that is smooth and sassy in parts, violent and vulgar in others. Young director Bill Duke shows flashes of stylish talent, especially in the atmospheric opening scenes, but too often relies on stagy violence. Worse, several of the minor characters, including Zakes Mokae as a transvestite pimp, are ludicrously underdeveloped. Although Whitaker and Hines are as fine as always, and the stunning Givens is better than you would expect, this is a film that needed a steadier, more patient hand behind the camera to make it really work.

★

Akira Kurosawa's genius has always been his ability to paint on a large canvass, colouring the screen with broad cinematic strokes and epic tales. In *Rhapsody in August*, the great Japanese director tries with mixed success to draw in miniature. The film tells the story of an elderly widow (Sachiko Murase) who is visited by her half-American nephew (Richard Gere) when he comes to Japan to make an atonement for the fact that Murase's husband was killed by the atomic bomb at at Nagasaki. The film is occasionally moving, especially the scene in which Murase's grandchildren visit the school playground where their grandfather died, their shadows on the naked pavement suggesting the vaporised victims of the atomic bomb. But for the most part Kurosawa relies on good old-fashioned sentimentality, an approach which seems singularly inappropriate to the film's difficult subject matter. And Gere is completely out of place, looking more bemused than normal, as if he'd wandered onto the set from another shoot. For die-hard Kurosawa fans only.

★

Someone who seems to have no trouble at all working on a small scale is writer/director Michael Lindsay-Hogg, whose *The Object of Beauty* proves to be a finely crafted little comedy. It tells the story of a hedonistic American couple (John Malkovich and Andie MacDowell) living far beyond their means at a posh London hotel. They decide to stage the theft of a small Henry Moore statue in order to collect on the insurance, yet are beaten to the punch by a deaf-mute chambermaid who develops a deep love for the piece while cleaning their room. Although it could just as easily have been a stage play or a television drama, the film is full of witty writing and strong acting.

Stephen Amidon

Tim Robbins and Matt Craven in 'Jacob's Ladder'

'Biennale de la musique française' in Lyon

It sounds like carrying coals to Newcastle, though of course less noisy and more *soignée*. French music in Lyon, yes, and what else is new? The organisers of this new festival see things differently. On the initial brochures, "la musique française" was prefixed by the truculent, poignant phrase "Il était une fois...": there *used* to be French music.

Though the phrase was politely omitted from the final programme-book (some living French composers were represented, after all) its thrust was retained. In France during the past 30 years, according to the festival directors Marcel Landowski and Yves Petit de Voize, the generically French repertoire has almost vanished amid the standard cosmopolitan concert-pops; Berlioz, Debussy and Ravel turn up as international competitors, but with their vital roots and their contemporaries forgotten. Only some elderly persons still appreciate the lyrical tradition of Gounod and Massenet, and therefore – or arguably, at least! – France's rich music of the late 1800s and the early 1900s falls upon deaf modern ears.

There *is* a defensive syndrome in all that, a sense that Austro-German musical ideals have triumphed, and that the specific traits of *French* music may seem now to be merely provincial, quaintly charming. If "symphonic argument" *à la* Beethoven sets the intellectual standard for music, even the French can hear that César Franck and his descendants mimicked the surface but rarely the original muscle. Almost always, counter-claims for distinctly Gallic virtues skid into the language of literary metaphor and the *parfumerie*. When the eloquent Nietzsche renounced *Parsifal* in favour of *Carmen*, he explained himself no better than that.

Fortunately, the new Lyon festival doesn't depend upon reasoned justification. There *is* a coherent treasury of French music from Cherubini, Berlioz and Gounod to Debussy, Ravel, Poulenc and beyond; appreciating *it* seriously does require appreciating its background-history; in performance, finding the right answers to questions of historical style can make all the difference between direct rewards and mere sepia-reproductions. The real brief that the Lyon directors set for themselves was to put major pieces from their beloved period into the hands of maximally sympathetic performers, and let them speak for themselves.

I thought they achieved that wonderfully. In line with current fashion, the 10-day Biennale was concentrated around two long, intensive weekends. The first had begun with a repeat of the brilliant period-instrument concert, culminating in Berlioz's *Symphonie fantastique*, that John Eliot Gardiner gave in London a few days earlier. I arrived for Marek Janowski's Radio France Philharmonic programme: a poised, heartfelt account of Debussy's *Damoiselle élue* cantata (with soprano Catherine Dubosc), an urgent exposition of Chausson's B-flat Symphony – and a notable rediscovery from André Caplet.

Like Gabriel Pierné, Caplet rated himself below his leading contemporaries, and gave selfless priority to polishing their orchestration and promoting their music. In Britain only his harp-and-small orchestra fantasy after Poe, *The Masque of the Red Death*, has done the rounds recently. His *Epiphanie* with solo cello (Wang Jian) proved to be no less picturesque, depicting the exotic genuflections of Gaspar – one of the Three Kings – before the infant Saviour in a Cortege, a searching cadenza-soliloquy and a final, quizzical "Danse des petits nègres". Period-pungent, and genuinely original: other cellists must take it up.

Next day Michel Plasson and his Orchestre National du Capitole de Toulouse gave us Gounod's "trilogie sacrée" *Mors et Vita*, a very long and pious oratorio which respects the limits of bourgeois French taste to the point of suffocation. Its overweening brass-complement for the Last Judgment secured only a modest effect. The American tenor John Aler led the soloists nobly, while the new soprano Isabelle Vernet made a pretty mark despite a slightly breathy, under-supported upper register. Her teacher Régine Crespin was always brighter and steadier than that. What we got in *Mors et Vita* were winsomely gracious lines, often over Gounod's favourite accompaniment-trick with soft horn-triplets – unabashed sub-Wagner opera, with decorous spiritual intentions. It supplied an essential background (one was Glad to Have Heard It), the better to set off far more interesting works; I'll write about those later.

David Murray

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in the premiere of Geert van Keulen's Tympan, Frank Martin's Concerto for seven wind instruments and Ravel's two suites from Daphnis et Chloe. Repeated tomorrow in The Hague and on Sun in the Concertgebouw at 14.15. In the Kleine Zaal tonight and on Sun at 20.15, Frank Peter Zimmermann gives a recital of Mozart violin sonatas, accompanied by Alexander Lonquich. Tomorrow: Hartmut Haenchen conducts Mozart and Bruckner. Sat at 15.00: Arnold Oestman conducts Spohr, Weber, Mendelssohn and Beethoven, with pianist Melvyn Tan. Sat at 20.15: Gidon Kremer, accompanied by Oleg Maisenberg, plays violin sonatas by Schubert, Bartok and Richard Strauss (6718 345)

■ BERLIN

Staatsoper unter den Linden 19.00 Lothar Zagrosek conducts Cosi fan tutte. Tomorrow: Carl Orff double bill. Sat: Aida. Sun: John Cranko's ballet The Taming of the Shrew (East Berlin 2004 762)

Komische Oper 19.00 Wolfgang Rennert conducts Christine Mielitz's production of Die schweigsame Frau, with Siegfried Vogel as Morosus. Tomorrow: Cav and Pag. Sat: La bohème. Sun: Carmen (East Berlin 2292 555)

Deutsche Oper 19.30 Stefan Soltesz conducts Götz Friedrich's production of Aida, with a cast led by Julia Varady, Giorgio Lamberti and Ingvar Wixell. Tomorrow: Gunter Krämer's new production of Die Zauberflöte. Sat: ballets by Neumeier, MacMillan and Hans van Manen. Sun: Gounod's Faust (West Berlin 3410 249)

Schauspielhaus 20.00 Piano recital by Maurizio Pollini. Sat and Sun at 11.00: Vladimir Ashkenazy conducts Mahler's Third Symphony. Sun at 20.00: Claus Peter Flor conducts Haydn's The Creation (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Nikolaus Harnoncourt conducts the Berlin Philharmonic Orchestra in an all-Mozart programme, repeated tomorrow and Sat (West Berlin 2614 383)

■ GOTHENBURG

Konserthus 19.30 Neeme Järvi conducts the Gothenburg Symphony Orchestra in Tchaikovsky's Fifth Symphony and Dvorak's Cello Concerto, with soloist Frans Helmerson. Sat: Järvi conducts Haydn's Symphony No 102, Bartok's Concerto for Orchestra and Sandström's Trumpet Concerto, with soloist Hakan Hardenberger (167000). These two programmes form the basis of the orchestra's tour of France and Germany over the next two weeks. The main stops are Rouen (Oct 1), Le Havre (Oct 2), Stuttgart (Oct 4), Düsseldorf (Oct 7), Hamburg (Oct 9), Frankfurt (Oct 11), Munich (Oct 12) and Berlin (Oct 15).

■ LONDON

MUSIC

Coliseum 19.30 David Atherton conducts Tim Albery's production of Billy Budd, with Peter Coleman-Wright in the title role, Philip Langridge as Vere and Richard Van Allan as Claggart. Tomorrow: La bohème. Sat and next Mon: The Mikado (071-836 3161)

Royal Festival Hall 19.30 Klaus Tennstedt conducts the London Philharmonic in Beethoven's Egmont overture and Third Symphony, with Olaf Bär soloist in Mahler's Lieder eines fahrenden Gesellen. Sun at 15.45: piano recital by Artur Pizarro (071-928 8800)

Barbican 19.45 Michael Tilson Thomas conducts the London Symphony Orchestra in Bernstein's On the Town Suite, Brahms' Second Symphony and songs by Richard Strauss, with the soprano Karita Mattila. Tomorrow: Libor Pesek conducts the Czech Philharmonic. Sat: Christoph Eschenbach and the ECO. Sun: Tilson Thomas conducts Bernstein and Debussy (071-638 8891)

THEATRE

National Theatre
The Olivier has Molière's The Miser directed by Steven Pimlott (tonight), followed by The Resistible Rise of Arturo Ui, Brecht's grim comic parable about Hitler, starring Antony Sher (tomorrow and Sat). The Lyttelton is showing Long Day's Journey Into Night, Eugene O'Neill s family drama starring Prunella Scales and Timothy West. The Cottesloe has The Coup, Mustapha Matura's political satire about revolution in Trinidad (071-928 2252)

Royal Shakespeare Company
The Barbican main theatre tonight starts previews of Oscar Wilde's rarely seen comedy A Woman Of No Importance, directed by Philip Prowse with a cast including John Carlisle, Carol Royle and Julie Saunders: Press night next Wed. The Pit is previewing Danny Boyle's production of The Pretenders, the political drama that gave Ibsen his first major success: Press night next Tues (071-638 8891)

Young Vic
The Winter's Tale: Trevor Eve is a wild-eyed, wild-haired Leontes in David Thacker's austere and careful production of Shakespeare's late play. Runs till Oct 19 (071-928 6363)

For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

MUSIC

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Bach's Wedding Cantata and Grieg's complete incidental music to Peer Gynt, with the soprano Edith Wiens and the New York Choral Artists. Repeated tomorrow at 11.00, plus Sat and next Tues (875 5030)

Metropolitan Opera 20.00 James Levine conducts Die Zauberflöte with a cast led by Jerry Hadley, Dawn Upshaw, Ruth Welting, Mikael Melbye and Kurt Moll. Tomorrow: Don Giovanni. Sat matinee: the title role in Idomeneo will be sung by Anthony Rolfe-Johnson, and not Luciano Pavarotti as previously advertised. Sat evening: Un ballo in maschera (362 6000)

New York State Theater 20.00 Frank Loesser's 1956 musical The Most Happy Fella, starring Louis Quilico. Tomorrow: Madama Butterfly. Sat matinee: Korngold's Die tote Stadt. Sat evening: Bizet's Pearl Fishers. Sun matinee: Le nozze di Figaro (870 5570)

THEATRE

● On Borrowed Time: George C. Scott directs and stars in a revival of Paul Osborne's comic fantasy about a grandfather and his adoring orphaned grandson, who together manage to outwit Death in human form. Currently previewing, opening night Oct 9 (Circle in the Square, 1633 Broadway on 50th St., 307-2704).

● Macbeth: a Riverside Shakespeare Company production with Stephen McHattie in the title role and Jennifer Harmon as his Lady. Runs till Oct 27 (Playhouse 91, 316 E. 91st St., 831-2000).

● Young Playwrights Festival: four plays by writers under the age of 19, selected from 725 entries. Runs till Oct 20 (Playwrights Horizons, 416 W. 42nd St., 279-2400).

● Bon Appetit: An Evening with Jean Stapleton, involving musical settings of Ruth Draper's monologue The Italian Lesson about a Park Avenue dilettante who studies Dante, and a Julia Child recipe for chocolate gateau. Runs till Nov 3 (CSC Repertory Company Theater, 136 E. 13th St., 677-4210).

● Ticketron answers inquiries and sells tickets (246-0102)

■ PARIS

Salle Pleyel 19.30 Semyon Bychkov conducts the Orchestre de Paris in a concert performance of Mozart's La finta giardiniera, with soloists Charlotte Margiono, Marianne Rorholm, Catherine Dubosc, Renee Fleming and Kurt Streit. Repeated on Sat and Sun (4563 0796)

Opéra Bastille 19.30 Jonathan Darlington conducts Le nozze di Figaro with Jorma Hyninnen, Françoise Pollet and Maria Bayo. Tomorrow: Marek Janowski conducts the Orchestre Philharmonique de Radio France in music by Mozart and Bruckner. Sat: Myung-Whun Chung conducts Idomeneo (4001 1616)

■ VIENNA

Staatsoper 19.00 Peter Schneider conducts Le nozze di Figaro with Lucia Popp as the Countess, Barbara Bonney as Susanna, Wolfgang Brendel as the Count and Anton Scharinger as Figaro, repeated on Mon. Tomorrow: Die Zauberflöte. Sat: Abbado conducts Lohengrin. Sun. La boheme (51444 2960)

Musikverein 19.30 Piano recital by Rudolf Buchbinder, with music by Mozart, Beethoven and Chopin. Sat and Sun: Vladimir Fedosseyev conducts the Soviet Radio Symphony Orchestra in a programme of Beethoven, Shostakovich and Falla. Sun at 11.00 Friedrich Gulda is conductor and piano soloist with the Vienna Philharmonic Orchestra. Mon: Shura Cherkassky recital (505 8190)

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1900-1930 World Business This Week
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1800-1830 FT Business Weekly

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1330, 1630, 2030, 0030, 0230 FT Business Weekly

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Thursday September 26 1991

Dutch push to political union

THE DUTCH, it turns out, are gamblers. Halfway through their presidency of the European Community, and with only 10 weeks to go the fateful Maastricht summit, the Dutch government has decided to make radical changes to the draft political union treaty already on the table.

Predictably, the British government finds neuralgic the reference to the EC's "federal vocation", the wider role proposed for the European parliament and the inclusion of foreign and security policies within an EC framework. If it is not careful, however, it will strain at gnats, only to find it has swallowed a camel.

The new draft is, for example, right to include foreign, external and internal security policies as an area of co-operation among the Twelve. A common foreign policy should be more effective, because more weighty, than one of any individual member country. The question is not whether such policies should wear an EC hat. It is how they should be decided and implemented.

The failures of the draft lie elsewhere. Above all, it provides only partial answers to fundamental questions about the future of what is already an entity with federal characteristics: how best to divide what the Community does from what member states do on their own, and how to decide what the Community does more democratically.

Nothing in the Community – either its goals or institutions – has ever been thought through from first principles. The time has come, however, to set out a clearer blueprint.

In theory, there are two ways to divide the powers. One answer is to write into the EC constitution a "subsidiarity" clause, making clear that those matters which are not considered essential for collective action must be left to individual states, while leaving determination to the European Court of Justice.

Ambiguous article

Draft article 2A, for example, states that where the EC does not have exclusive competence, it should only intervene "if and to the extent the objectives assigned to it can be better realised at the Community level than at the level of member states acting on their own . . .". Almost everything here hinges on what is meant by "better". This ambiguous definition would then be interpreted by the Luxembourg bench, which would find itself making not only political but also arbitrary judgments.

The other and far superior way is to enumerate fields of EC competence, with everything else left to member states. The subsidiarity principle should be used not to determine the locus of particular policies, but rather that of general powers. Education, health and social policy should, for example, be left almost entirely to the member states. Trade policy is for the EC. Labour market, transport, energy and environmental policies should be divided into those that largely affect the residents of the individual member states and those that have significant cross-border effects.

This general approach has worked relatively smoothly in the bid to forge the single EC market by 1992, and should do in the case of economic and monetary union: one (federal) bank will run one currency, but economic policy will remain largely with member states, although some co-ordination may be required.

In addition, there are areas which logic suggests should be at the EC level, but the realities of politics ensure cannot be as yet. Separating the Community role from the states' role in foreign affairs, for example, or in internal policing and immigration control, is hard.

Sensitive areas

One way of distinguishing sensitive, but legitimate, areas for common policy-making has become the means by which the Community votes on them. Sensitive areas are governed by unanimity. By contrast, when EC states agree to settle a policy by majority, they are saying that they can be overruled in that area. This requires either mutual trust or acceptance that the issue can be reliably deemed relatively unimportant. Neither condition holds in foreign policy.

The solution must be to include these subjects within the EC framework, but maintain a strict unanimity requirement. Nor, in the case of foreign, security or immigration policies should the EC be allowed to prevent a member state from acting on its own, where it believes a vital interest is at stake.

A different question-mark hangs over the ways in which the Dutch propose to introduce greater democracy into EC decision-making. More democratic accountability is certainly needed in the Community. The Dutch propose to fill this "democratic deficit" by giving MEPs two things. First, a right to reject legislation coming out of a final, second reading by the Council. Second, MEPs would be made legislative co-equals with the Council in certain limited areas (aid, hi-tech and environmental policies). But this would involve a complicated conciliation procedure, which works (just) in national bi-cameral systems in the US and Germany, but would further delay the already lengthy EC law-making process.

The Dutch proposals for a parliamentary veto should be accepted. Given that there is a parliament, this is the least it can be allowed to do. But the parliament should not as yet be granted co-equal power of initiation. In addition, foreign policy should be included within the EC framework, though under a unanimity requirement with safeguards for independent national action.

What is needed most of all, however, is a proper division of powers and limitation of majority voting only to the essential areas. The British government should focus its attention here, where it matters, and not waste its efforts tilting at windmills.

Pale green Heseltine

MR Michael Heseltine is to be congratulated. The presentational skills of the environment secretary were never in doubt when he was in the political wilderness. Now they have been deployed with considerable skill in his new job of portraying the government's environment policy as a thing of historic substance – although in reality it is a collation of promises and notes of minor administrative actions, enlivened by repeated assertions of good intent.

Yesterday's First Year Report is in this sense a masterpiece. The starting point is This Common Inheritance, the recycled glossy on the environment produced by Mr Heseltine's predecessor, Mr Christopher Patten, in September 1990. The new recycled glossy gives an account, item by item, of what bits of the Patten plan have been carried out since then.

It is not wholly bogus. As a ministerial portfolio the environment is huge. It encompasses the protection of hedgerows as well as global climate change, land-use planning as well as industrial and domestic waste disposal. Much of what has to be done is a matter of technical or statutory detail. Listing 400 separate measures taken so far and promising 400 more is an achievement of sorts, even though when you read the small print "measures" often turns out to mean the commissioning of a study here, the launching of a publicity campaign there, and everywhere the statement of an intention to persuade other members of the European Community of this or that.

Such a list is useful to the degree that it is better to have it than not to have it. It would be really useful if it offered a carbon tax, or indicated that it would support EC proposals for a broad-based energy tax. A strong regulatory lead combined with fiscal incentives might nudge electricity generators into the conservation business. The promotion of public transport in preference to private cars, for example via road pricing, might slow the growth of vehicle emissions. As the Germans have demonstrated, regulation rather than exhortation would best support a programme designed to bring manufactured goods up to the highest "green" standards.

Mr Heseltine cannot be blamed for the greatest lapse of all, the adamant refusal of the US government to agree to targets for greenhouse gas emissions. But yesterday's paper disguises the British decision to go along with the Americans, presumably in order to bring them round. This may be high international politics, but it is not going to help the planet. As to the rest of Mr Heseltine's paper, the kindest verdict is that it is the palest shade of green.

Robert Peston and **David Barchard** examine Abbey National's £285m move to broaden its retail banking and insurance base

Abbey catches the takeover habit

Abbey National's ambition, repeated as a form of mantra by its directors, is to be "the Marks and Spencer of the financial services market".

Its plan to buy Scottish Mutual for £285m, announced yesterday, is aimed at widening its product range. Just as M and S has added home furnishings to its range of knickers and salmon en croute, Abbey hopes to offer its own brand of life insurance alongside mortgages and savings accounts.

"Success in financial services lies in the ownership of the most appropriate and effective channels of distribution," Mr Peter Birch, Abbey's chief executive, said yesterday. What he meant was that the banks and building societies have a vast base of customers who should be interested in buying a range of financial products.

Mr Birch described the deal as part of an "acquire and build" strategy, by which Abbey National uses the purchase of a smallish company to build up a new line of business.

The benefits it will receive from the deal should include:

- The ability to tailor its life assurance products to the needs of its customers;
- A reduced reliance on the housing market as a source of earnings.

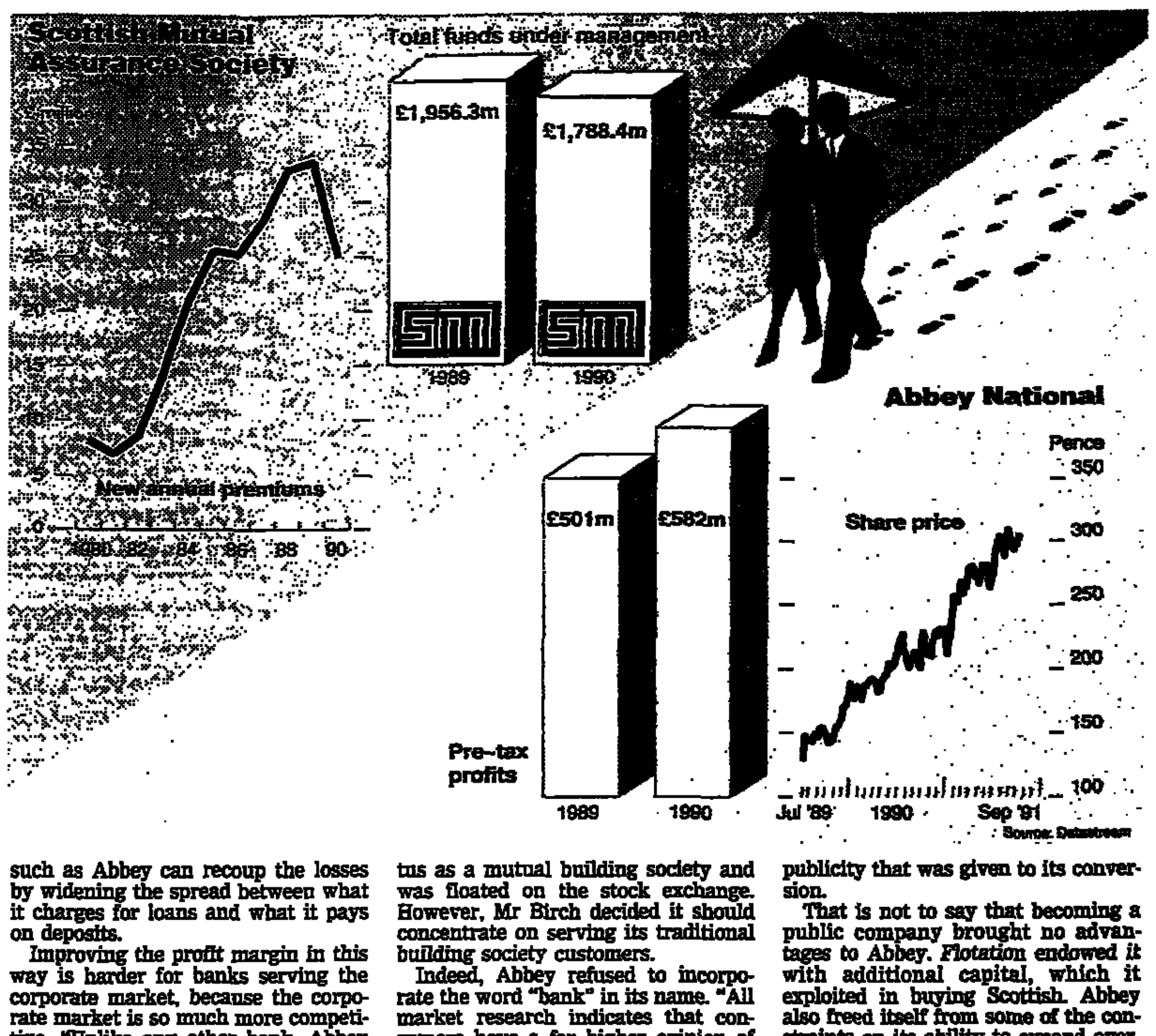
The choice of Scottish Mutual came, Mr Birch said, after Abbey National had decided to buy a medium-sized mutual insurance company – owned by its policyholders rather then outside shareholders – as a cheaper and more flexible option than starting up its own company, going into a joint venture, or buying a larger company.

It will retain Scottish Mutual's traditional business of selling policies though independent brokers. But over the longer term, fastest growth should come from a new company which it will set up with Scottish Mutual, to supply products to its branch customers. The company will be called Abbey National Life, to take advantage of the power of its brand name in selling other financial services – the St Michael strategy.

Abbey's profits, like those of M and S, are comparatively buoyant while rivals are flagging. It is the fifth biggest UK bank, measured by the size of its balance sheet. However, its pre-tax profits of £308m for the six months to June – 10 per cent higher than the comparable six-month period of 1990 – were treble those of National Westminster Bank and within striking distance of Barclays'. To put that achievement in perspective, Abbey National has total assets of £50bn, compared with Barclays' £143bn.

Abbey's success is based on its refusal to provide services to companies. Losses on loans to businesses has been the clearing banks' Achilles heel during the recession.

There is a second advantage to serving the retail market, which will be less than welcome to its customers. If bad debts on mortgages rise, as they are at the moment, a retail bank such as Abbey can recoup the losses by widening the spread between what it charges for loans and what it pays on deposits.



Improving the profit margin in this way is harder for banks serving the corporate market, because the corporate market is so much more competitive. "Unlike any other bank, Abbey has increased its margins every year for the past six years," says Mr John Wriglesworth, a financial analyst at the stockbroker UBS Phillips & Drew.

In theory, Abbey became a bank in July 1989, when it abandoned its status as a mutual building society and was floated on the stock exchange. However, Mr Birch decided it should concentrate on serving its traditional building society customers.

Indeed, Abbey refused to incorporate the word "bank" in its name. "All market research indicates that consumers have a far higher opinion of building societies than of banks," said Mr Wriglesworth. So Abbey went out of its way to preserve its old image. The latest research shows that few of its customers are aware that it is no longer a building society, for all the publicity that was given to its conversion.

That is not to say that becoming a public company brought no advantages to Abbey. Flotation endowed it with additional capital, which it exploited in buying Scottish. Abbey also freed itself from some of the constraints on its ability to expand overseas and on the range of products it can offer personal customers, which were imposed by the Building Societies Commission, the societies' supervisor, to protect society members.

By acquiring Scottish, it is emulating two banking rivals, Lloyds and TSB group, both of which already own life companies. Lloyds bought a controlling stake in the life company, Abbey Life, three years ago. Since then, Lloyds' life insurance profits have been growing at an annualised rate of 40 per cent. In its results for the six months to June, its life profits after tax and all other charges were £52m, 28 per cent of the total.

TSB has been even more successful, having built its own life business from scratch over the past decade. Mr Peter Elwood, its chief executive in charge of UK retail banking and insurance, said that TSB sells 40 per cent of all life policies bought by its 7m branch customers. The comparable figure for Lloyds is 15 per cent, though that has doubled in three years and is still rising fast.

The success of TSB bodes well for Abbey. TSB's typical customer is less affluent than the average bank customer and lacking in financial expertise. Unlike more prosperous consumers, they do not tend to shop around for insurance policies. They buy from TSB because they trust it. Abbey's customer base is similar.

Until now, Abbey has been selling the life policies of Friends Provident on an exclusive basis. Most banks and building societies sell policies on the basis of similar "tied" contracts with insurers. However, in these cases, the banks are forced to share profits with the insurance company. Mr Wriglesworth estimates that Abbey currently receives £30m of commission income from the 100,000 policies it sells every year for Friends Provident. By manufacturing the insurance products with Scottish Mutual, its net income should almost double at a stroke.

Mr Elwood says a second advantage in owning a life insurer, rather than dealing with one on a contractual basis, is that it is helpful to put the life business under a single management team.

There is a big cultural difference between a typical life salesman and a typical bank manager. In a nutshell, bankers are not salesmen by nature. So Lloyds Abbey Life and TSB have been trying to nurture more of a sales culture within their branches. Mr Don McCrickard, the chief executive of TSB Group, said that the integration of the life company and the bank branches has gone further at TSB than at any other bank, simply because it has been in the business longest and created its own life company in its own image, rather than having to adapt a purchased business.

However, the binding of Abbey and Scottish Mutual should be relatively smooth because the two share a common inheritance as mutual societies. Indeed, Abbey wants to preserve Scottish's mutual image. Though Abbey dropped the words "building society" from its name, it wants Scottish to trade as Scottish Mutual Assurance plc. Abbey is learning all the retailers' sleights of hand.

Desperately seeking succour

Richard Lapper on the problems of small mutual insurers

Demutualisation – the process by which an insurer owned by policyholders is transformed into a limited liability company – is likely to become an increasingly important part of the British life insurance scene.

By agreeing to Abbey National's takeover, Scottish Mutual becomes the third of the UK's 20-plus mutually-owned insurers to have embarked on demutualisation since 1989.

More than 75 per cent of the company's policyholders need to vote in favour of the deal – already agreed by the board – for it to go ahead. If, as expected, it does, many smaller mutuals could follow suit.

Bigger mutual insurers, such as Standard Life and Norwich Union, are likely to remain unaffected. Indeed, they rank among the biggest of Britain's business success stories over the past 25 years.

But the picture is different for their smaller counterparts. These companies have been handicapped, not so much by their inability to raise capital on the Stock Exchange as by a weakness that has little to do with their constitutional status: their dependence on independent intermediaries or financial advisers (the so-called IFA market), usually high street brokers, to sell their products.

While many of the most successful life companies of the 1970s and 1980s were developing their own direct sales forces (like Allied Dunbar) or selling to bank customers (TSB Life and Lloyds Abbey Life), most mutuals stayed loyal to the IFA market which has been dealt a heavy blow by the 1986 Financial Services Act.

To be licensed as independent intermediaries, brokers have had to meet stiff compliance tests, increasing their costs and forcing many to develop exclusive ties with bigger insurance companies.

The number of intermediaries has shrunk, making it more difficult for many mutuals to increase the size of their business.

This was one of the main reasons why a small Glasgow-based insurer, FS Assurance, now renamed Britannia Life, opted to demutualise in 1989. The company was badly hit by the contraction in the IFA market and needed to develop links with a building society or bank in order to grow. But according to Mr Peter Burdon, its managing director: "Our mutual status made us unattractive to any potential partners."

Britannia Building Society eventually paid £14m in January 1990. With backing from its new owners the company has prospered. Following the acquisition of Crusader, a subsidiary of the US insurer Cigna, funds under management are £1bn, about five times more than two years ago.

Observers believe that it is only a matter of time before many of the smaller mutuals in the UK's highly-fragmented life insurance market take the same route.

"Life has become difficult for small-to-medium-sized mutuals since the FSA and it is possible that some of them will run for cover," says Mr David Nisbet, life insurance analyst with County NatWest in Edinburgh.

"If I were head of a small or medium-sized mutual company with new business flat I would have to look at any possible deal very seriously."

Mr Douglas Patrick, chief executive of Scottish Mutual, insists that the deal "has been taken in the best interests of policyholders. The loss of ownership is sensitive and delicate, but members will be fairly compensated".

Abbey National will pay £285m into the Scottish Mutual's life fund – out of which bonuses are paid each year to policyholders. Policyholders will receive a special one-off bonus, roughly equivalent to 25 per cent of the consideration. The remainder of the money will help guarantee the value of future pay-outs.

Mr Nisbet says: "It's a good deal for policyholders. Bonus levels are enhanced and in the longer term the merger will help keep expense levels down and enhance the security of policyholders' investments."

OBSERVER

Towering bad read

■ President François Mitterrand's Pharaoh-like project for a Very Big Library, intended to preserve France's written history, is getting a rough ride.

The glass pyramids of the Louvre, the vast cubical Arch to the west of the city, and the gleaming glass Opera Bastille in its east, all survived controversy and are now accepted as part of the Mitterrand heritage.

But the attacks on the planned Très Grande Bibliothèque (or TGB as it is known) are gathering intensity.

Sycophantic Paris cooed with delight two years ago, when Mitterrand picked the design submitted by a 36-year-old French architect, Dominique Perrault. Since then, however, the design has been accused of being wholly unsuitable for a national library.

Early attacks from Stanford and Harvard academics were easily brushed off because they came from abroad. But now Mitterrand has received an open letter signed by the cream of distinguished French and foreign academics.

Perrault's design has four L-shaped glass towers 96 metres high, at the four corners of a large flat garden space. Books will go in the towers, while readers should use the ground floor or basement. Critics say this is a type of library design which has been widely abandoned; the light and heat in the towers would damage the books, and storage and retrieval would be slow and inconvenient.

Perrault has modified the design to deal with the ravages of light and heat, by planning for a double layer of protective coverings and shutters, as well as triple fall-safe air conditioning. TGB supporters claim that hi-tech lifts will speedily deliver books to readers. Time is short for the £706m project; it must be finished by 1995, the end of the President's term.

Pastry puff

■ Observer notes that at least one arch-enemy of capitalism has been rehabilitated.

That well-known ex-pastry cook, ships' steward, photograph re-toucher and founder of the Vietnamese communist party, Ho Chi Minh, who died aged 79 in September 1969, is to have a blue circular plaque erected in his memory on the site of the former Carlton Hotel – now New Zealand House in London's Haymarket – where he worked in the kitchens in 1913.

An enigmatic character – he once said "an old man likes to have a little mystery about himself" – sixties' London once rang with student voices chanting "Ho, Ho, Ho Chi Minh." It will be interesting to see if nineties' students show as much notice of the new plaque.

Sweet offer

■ Happiness is in short supply these days at Blue Bird Confectionery, founded almost a century ago and whose name evokes childhood memories of toffee for many Britons. Receivers were called in last week.

Blue Bird succumbed to the interest bill arising from a management buy-out in 1989 from Hillsdown Holdings, plus inability to increase sales in its home market. Exports account for two-thirds of Blue Bird's £10m annual turnover – it weekly produces 50 tonnes of sweets.

Stephen Hancock, one of the receivers, says customers as far away as Mongolia will continue to be served while Price Waterhouse seeks a

buyer. "It's a relatively rare opportunity to acquire an established and well-known brand."

But a bigger question looms over the West Midlands village of Hunnington, Blue Bird's nesting place since 1925. A buyer might want only the brand, and not "the sweet factory in the country", as the company once boasted on its wares.

Hancock has already received more than 60 inquiries from potential buyers, so the Blue Bird may yet turn into a phoenix.

Good wile

■ Who says the business world is heartless? Observer's desk is awash with London charity events organised by fat cats on behalf of thinner moggies.

This evening sees the Stock Exchange markets development team organising a race on behalf of the Malcolm Sargent cancer fund for children.

Tomorrow is the third and final day of a 20 team croquet competition, organised by Bankers' Trust at Broadgate's Exchange Square, raising money on behalf of Turning Point, a national charity helping people with drink, drug and mental health problems – perhaps handy for any of the competitors who find themselves "pegged-out".

But if you can wait until October 10, a Perrier-sponsored auction of work by famous British cartoonists, being held at Independent Television News HQ at Grays Inn Road, will give donations to Care, a UK charity supporting developing world.

Hard times; but plutocrats still care about image.

Fleet hire

■ Speaking of charity, it is now the time of year Germany empties its lumber room of unwanted blankets and old clothes to help the Soviet Union through the winter. But tonnes of such comforts are never widely distributed because of the lack of transport.

Not any more. Theo Waigel, Bonn's finance minister, has announced a gift of 7,000 heavy lorries, which should help out nicely. The trucks comprise the entire transport fleet of the redundant People's Army of the former DDR. Suggestions that it could be loaded with redundant Soviet soldiers still lurking in east Germany for its one-way trip east were considered "unhelpful".

No francs

■ Observer is duty-bound to warn all sun-tanned and refreshed readers possessing old-style French 10 franc coins that they have until the end of September to use them; they then cease to be legal tender. The smaller bi-metal 10 franc pieces will then fully replace the older and still commonly used coins.

But don't try to cash them at either British or French-owned banks in the UK; even Credit Lyonnais' UK head office says it can't take them.

ECONOMIC VIEWPOINT

The reasons for the UK output gap

By Samuel Brittan

There could not have been a better example of the low level of British partisan debate than the Labour attack on the governor of the Bank of England, Mr Robin Leigh-Pemberton, for saying: "I am confident we are now coming out of recession."

When people like the governor say that the UK is coming out of recession, they merely mean that after four sharply falling quarters output is likely to rise in the final quarters of 1991. Does the opposition really have to claim that output is set on a course of non-stop decline, to make out a case against the government? Economic growth is a normal feature of a modern economy. Are Labour's own aspirations so impoverished that it has to fear any recovery, however incomplete, as a triumph for Conservative policy?

The governor's main purpose was not to celebrate an upturn, but to read a lecture to all political parties about the dangers of trying to speed up growth by taking risks with inflation. The novel ingredient lost in the headline reports was the attempt to spell out more precisely what is wrong with tolerating inflation. (The speech-writer's problem is that the dangers of inflation, like any other risky course, are open-ended; and any

Are Labour's own aspirations so impoverished that it has to fear an incomplete recovery as a triumph for Conservative policy?

enumeration is likely to omit some of the effects most likely to be harmful next time round.)

The clinching evidence that recession is ending is provided by the CBI monthly trends survey, which has proved more accurate than most formal forecasts. During the worst of the gloom in February, 36 per cent more business respondents expected output to fall than to rise in the coming four months. This negative balance has now disappeared. The survey last had this configuration in 1981 on the eve of recovery from the previous deep recession.

The composition of the trade figures also points to recovery. Export volume has been rising relative to import volume for some time, as the accompanying Teenagers' Guide demonstrates. But whereas in the four months, January to April, the improvement came from falling imports and exports were stagnant, in the four months, May to August, imports have started to rise moderately, but exports have been increasing considerably faster.

The results so far are not bad going for a period of almost stagnant world output and trade, and hardly suggest an overvalued pound. Further pointers to recovery are the rise in imports of capital goods and the sharp turnround in industrial construction orders. The most bullish domestic factor is the return of consumer confidence; the most bearish factors are the continued depression of the housing market and the high level of corporate as well as personal indebtedness. The main underlying reason for caution about the speed of the recovery is, however, a nagging doubt about the firmness of world activity – a doubt nourished, but not settled, by the sluggishness of world money supply growth.

The aspect of the present UK turnround which is spectacularly better than its predecessors is the way that inflation has been hit on the head. Indeed, a very slight majority of CBI respondents now expect prices to fall. Consumer prices will still, of course, creep upwards because of increases in the costs of services, food and public utilities. But it is nevertheless the first time since the CBI monthly inquiry began 16 years ago that it has failed to find a majority of industrialists expecting to increase their prices. The present depressed level of price expectations was not seen even during the oil price collapse of 1985-86.

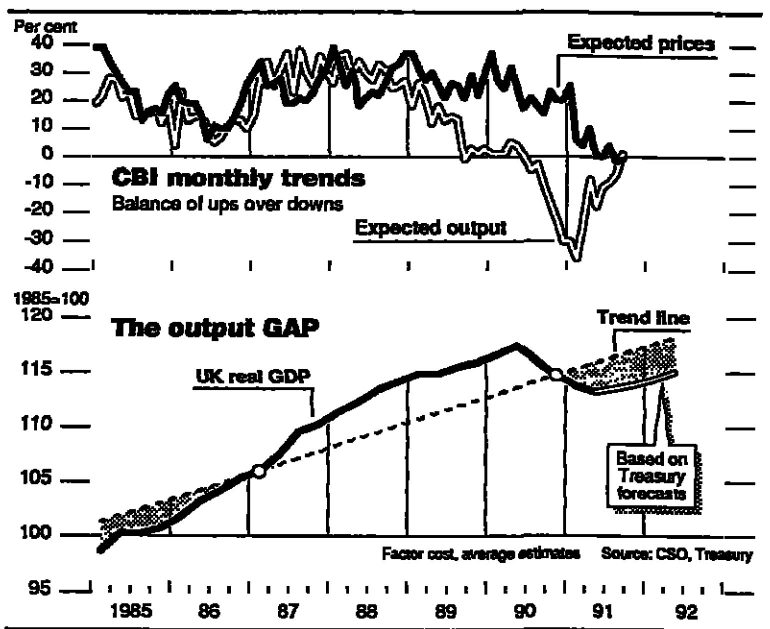
There has, of course, been a high cost to pay in terms of lost output and jobs. The cost will continue to mount, despite "recovery". The key forces at work are shown in the lower chart, which repays a little pondering.

The chart is unusual in plotting the *level* of real gross domestic product, rather than increases and decreases. This feature gives it an undramatic gently upward-sloping shape. Quite a severe recession is represented by a gentle dip.

The trend line passes through the first quarter of 1987 and the last quarter of 1990. In both these quarters, the Treasury estimates output to have been on trend (to be pedantic, it was 0.8 per cent below on each occasion). The best official guess is that the

UK TRADE: TEENAGERS' GUIDE Volume; % change (exc. oil and erratics)		
Year	Imports	Exports
1986	+7.1	+2.4
1987	+8.8	+7.6
1988	+14.6	+4.4
1989	+7.4	+9.2
1990	+0.2	+7.4
1991 Jan-April*	-5.2	+0.9
1991 May-Aug*	+2.6	+8.2

* Over previous four months annualised. Source: CSO



trend rate of growth of non-North Sea output is 2¾ per cent per annum, and of total output 2¼ per cent. The two benchline quarters were also ones when the economy was believed to have been running at normal capacity. rates. This does not mean the maximum of which the economy was physically capable, but the maximum sustainable without rising inflation.

Because of lags, unemployment rates were very different during the two quarters in question. Employers take time both to hire workers when output starts to rise above trend and to fire them when it begins to fall below it. If one averages the two near-trend quarters, the unemployment rate turns out to have been about 8½ per cent. This is almost exactly the Nairu – the unemployment rate consistent with non-accelerating inflation – estimated by Richard Layard and his co-authors for the UK in their weighty new study.*

The shaded area shown in the lower chart represents the "Gap between Actual and Potential" output – or "GAP" as it used to be known in the US. Even though the economy may be technically in recovery, it will still be experiencing depressed activity. The GAP between actual and potential output is officially expected to carry on increasing until the first half of 1992. It will not, if the Treasury is right, begin to close until after the end of the forecast period and after the last possible date for the next election. By then, output will on official expectations be some 3½ to 4 percentage points below trend.

Put that way, it may seem modest; but if translated directly into employment, it means something like a million fewer jobs. Even allowing for the disappearance of some job losers from the labour market this is likely to take the unemployment total within spitting distance of 3m; and in view of the lags already mentioned, it is difficult to see any levelling off until far into 1992.

Of course, the government's advisers did not plan their strategy in terms of these particular numbers. But the development of the GAP has not been just due to ineptitude, forecasting errors, or "not caring". A substantial output shortfall has been necessary to reduce inflation from the underlying annual rate of 7 per cent to 8 per cent it reached in 1990 to something nearer the French and German rate of 3 per cent to 4 per cent.

The Treasury and Bank of England have justified their earlier delay in reducing base rates in their normal obscure way. But the true justification has been the need to create a margin of slack and a depressed labour market to do what they call "bearing down on inflation." The extent of the downward pressure depends both on the size of the GAP and the rate at which it is widening or narrowing. Once both actual inflation and inflationary expectations are down to acceptably low rates, the GAP can be gradually eliminated and output return to its trend line.

The point of the chart is to show the forces at work: the projected numbers are merely illustrations. The slope of the trend line and its position are both controversial. Above all, no one can know beforehand the precise degree of slack required to reduce inflation by a given amount and the length of time the slack will need to persist. This ignorance is not just a deficiency of econometric technique. For these variables depend on changing human beliefs and expectations: for instance on the policy regime believed to be in operation and the resolve with which this or some future government will stick to it. They are thus not even in principle calculable.

Governments therefore need to avoid like the plague trying to target output and employment directly.

There has been a need to create a margin of slack and a depressed labour market to bring down inflation near to Franco-German levels

Wishful-thinking attempts to do so led to the mistakes of the 1960s and early 1970s. Governments need to formulate macroeconomic policy in terms of a "nominal framework". Ideally this should embrace a national exchange-rate objective, such as maintaining the ERM parity and a goal for Nominal GDP at Group of Seven or EC level. It is this latter which is so clearly the missing element that will not be supplied at the forthcoming international meetings.

But there is much unfinished business at the purely domestic level for the next few parliaments. There is an obvious need to reduce the severity and length of the output depressions required to reverse inflationary episodes. (If anyone tries to tell you that the inflationary episode of the late 1980s will never recur, just tell him he is whistling in the dark.)

An even more important piece of unfinished business is to raise not so much the growth rate, but the position of the trend line, so that inflation can stabilise with less economic slack and with unemployment at below the present estimated 8½ per cent equilibrium rate. Such a rate would have been regarded as unthinkably high at any time between 1940 and 1980, and is far too high a price to pay for the national dislike of market-clearing pay levels.

**Unemployment, Layard, Nickell and Jackman, Oxford, £16.95.*

BOOK REVIEW

What's left for the left to offer

A RADICAL AGENDA: AFTER THE NEW RIGHT AND THE OLD LEFT
By David Donnison
Rivers Oram Press. £9.95

Is the deprivation which remains in Britain's increasingly wealthy society avoidable? Must income distribution become more unequal to create economic success? These are troublesome questions, particularly after the recent riots on Tyneside housing estates where fewer than one in five adults is in work and young adults have little stake in the enterprise society.

They are also questions seldom raised by politicians, unless turbulent priests stir things up. Yet there remains a big minority for whom inner-city decay, poverty and hopelessness are part of everyday experience. They are people who often lack access to basic human requirements such as a home of their own, adequate heat and clothing. They experience pain, an uncomfortable word used by David Donnison to describe "avoidable and curable suffering".

The ideology which has provided the framework for tackling such concerns – socialism – is on the skids. The failures of its distant offspring in eastern Europe have knocked the stuffing out of those who would use state power for egalitarian ends. Even those parties of the left which remain in power in countries such as Spain espouse policies little different from those of conservative governments in countries such as Germany.

In the UK, this historic decline of socialism coincides with Neil Kinnock's efforts to rehabilitate the Labour party's fortunes through a process of ceaseless revisionism. Clause four of the party constitution, still printed on every membership card, calls for "the most equitable distribution . . . possible" of "the full fruits" of the industry of "workers by hand or by brain". Labour's policy review – with the worthy slogan of "social justice and economic efficiency" – contains little to achieve this and still less for those who are denied the opportunity to work by hand or brain.

Donnison, an academic and adviser to Labour governments in the 1960s and 1970s, is clearly angry at the failure on the left to create "a bank of humane, tested, reforming ideas" that would deal with the most intractable problems. His book is an attempt to formulate a radical philosophy to address these issues, one which could win support from those not suffering deprivation but uneasy about what they see happening.

Although from the "old left" intellectual tradition, Donnison has read enough of the "new right" critique of welfarism to offer some genuinely radical insights. He identifies the iron tendency of professional service-providers to create structures, hierarchies and priorities which create a dependent underclass: " . . . every study of the matter tends to show that a large part of the huge increase in funds devoted to social services since the second world war has been used to make life better for their staff rather than to improve the service delivered to customers".

He insists that problems are best sorted out by those on the receiving end, who must be given the power as well as the resources to meet their own needs. The private sector and voluntary agencies have a role to play at least as important as civic leaders, if only to provide choice for those who currently do not enjoy it. It is a radical version of the Citizen's Charter, which insists on responsive public services not because well-heeled taxpayers demand them, but because those services will not relieve pain if they do not meet the needs of those they are aimed at.

Some of Donnison's conceptions seem dated – an incomes policy for example. But his willingness to ask difficult questions and to consider radical solutions – discarded or novel – is refreshing and not a little disconcerting. Delegates to next week's Labour party conference should pack a copy to browse through during the interminable debates on trade union immunities and renationalising utilities.

John Willman

LETTERS

Just another freight ferry

From Mr R M Bale.

Sir, Sir Alastair Morton (Letters, September 19) has yet to explain the commercial logic of joining two loss-making railways by a very expensive tunnel. Without such explanation one has to recognise that the overwhelming bulk of Britain's European trade travels on pneumatic tyres; so, to all intents and purposes, the Channel tunnel is, for freight, another ferry service carrying pneumatic-tyred vehicles from one side of the Channel to the other.

The focus on traffic constraints to and from the tunnel (and other coastal ports) should be on roads. Talk of "investment" in railways overlooks the fact that investment without return equals subsidy, and British Rail has received billions of pounds of these subsidies without in any way altering the trend from rail to road transportation.

R M Bale,
Rocque Berg,
St Clement,
Jersey, Channel Islands

Face up to the realities of traffic congestion

From Mr Onesimo Alvarez-Moro.

Sir, The experts from the University of St Andrews (Letters, September 21) seem to believe that setting aside special lanes for taxis and public transport will solve the traffic congestion problem. Their solution sounds so easy that I am surprised the UK authorities have not thought of it before.

Unfortunately, Madrid, which already has this system in place, is not one of those European cities which has succeeded in making it work. I doubt that any exists.

While there may be some small benefit – as with many marginal solutions – in a special lane, relatively few people consider public transport as a valid alternative. Public transport in Madrid, except during the very limited peak periods, usually has plenty of room.

The roads, however, are full of traffic either trying to get somewhere or trying to find a parking space when they eventually arrive. It has recently been estimated that in the very centre of Madrid, 20 per cent of the traffic at any time is looking for a parking space.

Let's face it, while the car maintains its status as a protected species and while the marginal cost of using a car is almost nil, people are going to ignore the alternatives.

We owe it to our planet and to ourselves to charge the real cost of the ready use of cars.

We all know the costs, including pollution, both air and noise, the delays, the nervous breakdowns, the incivility, the cost to industry of delayed deliveries, and on and on.

Let drivers who want the luxury of causing all these things pay for the privilege of doing so.

O Alvarez-Mora,
Pontjos 2, 2 puerta 5,
28012 Madrid,
Spain

The expediency of training

From Mr Patrick Bridgwater.

Sir, It is clear from your story "Treasury seeks to cut £1bn from budget for training" (September 24), that training and business development are not connected in the minds of government ministers. They see no link with increasing efficiency, improving performance or raising quality standards.

No. Training is expedient. It keeps people off the streets. When you can afford it, cut it! What kind of example is that? Especially to leaders of industry who, with a cash flow drying up, still keep the vision that training, well directed, will bring us all a brighter future.

Irrational and chilling is the official retort: Haggling like this is "normal" at this time of year.

Around every man, woman or youth who needs training there is a cluster of people, involved and concerned: the spouse, the parent, the employer, the trainer. Do they think it's "normal"?

When they express their views it will be with their votes.

Patrick Bridgwater,
Patrick Bridgwater & Associates,
Management Training and Development,
3A Telston Lane,
Otford,
Sevenoaks,
Kent TN14 5NH

Emergence of a hard rouble

From Mr Paul Ormrod.

Sir, There is a lack of attention in published economic commentaries upon the management of the rouble in the break-up of the Soviet Union. I would expect the economies of the states to be better managed in an environment of multiple "rouble" currencies and varying exchange rates. A hard rouble would naturally emerge from such a trading bloc, particularly from the state that trades most with the western economies. This would then provide the anchor for the other rouble currencies and provide a foundation for the influx of western capital payment and for foreign trade.

Paul Ormrod,
Sally Port,
High Road,
Chipstead,
Surrey CR5 3QP

Correct recall

From Mr A. Haslam.

Sir, I was interested to read the article, "But who recalls BSAs and Velocets?", in the Survey on Japan in the UK (September 20). For those who do not recall them, the correct spelling is Velocette.

A. Haslam,
Highfield,
Church Road,
Swanmore,
Southampton

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Why top public sector pay rises may outstrip private sector

From Mr Peter M Brown.

Sir, The Top Pay Review Body is effectively the non-executive dominated remuneration committee for director level staff in UK (Public Sector) Ltd. Its request ("Delay in top pay review agreed by Major in run-up to election", September 24) to delay publication of its current review is in line with that of several boards facing acute short-term uncertainties.

However, I am concerned that their consultants' comparisons with private sector and overseas employers may include too many senior individuals whose remuneration is increasingly set by world-wide or European salary trends.

I realise that discounts are applied for job security, but I doubt whether salaries for first-class civil, military and judicial leaders should be compared with international public sector business and professional earnings.

Public/private sector top pay comparisons

	1980(£,000)	1990(£,000)	Increase (%)
Chairman	19	54	184
Director	17	40	135
MP	12	27	125
Cabinet minister	23	55	139
Head civil service	33	95	187
Admiral	31	78	145
Under secretary	20	46	130
High Court judge	32	76	138
County court judge	22	51	131

Total cash remuneration over the last decade extracted from Directors' Rewards, published by The Reward Group and Institute of Directors, gives the domestic figures shown. If, therefore, the whispered recommendations of the review body are correct, it is likely to award increases, possibly affected by this factor, well above those earned by most bonus deficient directors and managers in the UK in 1991.

Peter M Brown,
chairman,
Top Pay Research Group,
9 Savoy Street,
London WC2R 0BA.

FINANCIAL TIMES
Thursday September 26 1991

NCR to computerise Russian bank

By **Mark Nicholson** in Moscow

RUSSIA's lumbering banking system has taken two tentative steps towards modernity, introducing a domestic charge card for the first time and unveiling $1.5bn plans to computerise operations at the republic's biggest bank.

NCR, the US computer group, recently taken over by AT&T, has signed an agreement with the Russian government and its Russian Savings Bank to automate the bank's 40,000 branches.

The agreement would also computerise the communications network of the bank, which handles 124m accounts, and would give it modern banking services, including automated teller machines.

The restructuring will take several years, according to Mr Rainer Liebich, managing director of NCR Osteuropa, the German-based arm of the group which has already won banking contracts in Poland and Czechoslovakia.

Mr Liebich said the aim would be to leapfrog several years of banking development in the west and take the Russian Savings Bank directly from its centralised system to the most modern, personal computer-based system. Much of the $1.5bn cost estimate is based on supplying 100,000 terminals to the bank's branches.

Financing has yet to be arranged and Mr Liebich said NCR would solicit backing from the World Bank and the European Bank for Reconstruction and Development as part of a package he hoped would be complete by February.

NCR would also retrain the bank's more than 100,000 staff to handle the new high-tech systems – a far cry from the labour-intensive and paper-based muddle which is the Soviet banking norm.

A further step towards a Russian banking revolution will be taken today by Credobank, a private Moscow bank, when it announces the Soviet Union's first Visa charge card, largely for Russians travelling abroad on business.

The card will be exclusively for hard currency payments. Prospective cardholders, of which Credobank believes there will be more than 1,000, will have to provide a deposit of $5,000 to be eligible. Payment will be made by direct debit from the clients' hard currency accounts – which have themselves been legal for Russian citizens for only a matter of months.

In tandem with Credobank's announcement, Intourservice, an independent company spun off from Intourist, the state tourism organisation, said yesterday it would introduce a 24-hour, fully automated credit card authorisation service from October 1. This will be the only such service in the Soviet Union, where those paying by credit card must at present show a passport as proof of identity.

Mr Igor Fedorov, chairman of Intourservice, said the two developments were a necessary step towards establishing a market system. "We see our role as setting up a model of the new systems and technology which will be a school for future credit cards in Soviet roubles."

However, Mr Toby Mitchell, Visa area manager for the Soviet Union, said a roubles card was some years off. This was partly for reasons of scale and difficulties of convertibility, but the greatest impediments were suspicions about plastic cards and the lack of an efficient service culture.

"The problem is not one of automation," he said. "It's simply getting someone to answer the telephone."

Romanian coalminers arrive in Bucharest to demand a price freeze and the prime minister's resignation

Troops disperse Romanian protesters

ANTI-RIOT troops using batons and teargas dispersed thousands of Romanian miners and citizens after the government headquarters in Bucharest had been besieged for three hours yesterday, Reuter reports from Bucharest.

A correspondent said a large force of troops wearing gas masks moved in on the demonstrators who had stoned and petrol-bombed the Victory Square building. After fierce clashes the demonstrators were driven down side streets away from the area.

The rioting began after more than 7,000 coalminers from the west Romanian Jiu Valley coalfield hijacked trains to travel to Bucharest to demand pay rises, a price freeze and the resignation of the government. The miners were joined by local people in the capital and together they stormed the government headquarters.

It was the worst rioting in Romania since clashes involving miners and demonstrators in June 1990. Initial reports said at least seven miners and three policemen had been taken to hospital, but Romanian television film of bitter fighting indicated the number of injured was likely to grow.

Battles raged on into early evening with numerous charges and counter-offensives. Vehicles were seen bringing food and drink to miners, indicating significant local support. An eyewitness said one such truck was a military vehicle.

Protesters used public telephones to call neighbours and friends to join the attack. Shouts of "Come and help the miners" rang out in the square and the crowds of locals grew.

"This is the second Georgia," shouted some young people, referring to a revolt against the Soviet republic's government.

The Roman leadership said it would resort to "all legal means" to crush the riots.

The Fratia free trade union bloc, which groups several thousand workers from many industries, declared its solidarity with the miners' demands but criticised the violence.

Some 52,000 Jiu Valley miners went on strike on Tuesday after failing to win pay rises in talks with the authorities.

They demanded a freeze on prices, liberalised this year by Mr Petre Roman, the prime minister, as part of his strategy to make Romania a market economy and end four decades of Communist-style centralism.

The miners are notorious for violence but had once firmly backed the ruling National Salvation Front. In June last year they flocked to Bucharest and mercilessly beat anti-government demonstrators to save the government from what it called a "fascist coup" attempt.

Anti-government feeling has risen recently as a result of heightened austerity brought on by almost 200 per cent inflation, monetary and wage restraint and other measures introduced by Mr Roman, whose party took power after the December 1989 revolution which which led to the execution of Stalinist dictator Nicolae Ceausescu.

Brussels warned not to block De Havilland takeover bid

By **William Dawkins** in Paris and **Bernard Simon** in Toronto

CANADA HAS warned the European Commission that De Havilland, the Toronto-based aircraft maker, will collapse if Brussels blocks a Franco-Italian bid for it.

The warning, delivered by senior government officials during a visit to Canada by Sir Leon Brittan, European competition commissioner, coincides with Sir Leon's announcement that he opposes the takeover by Aérospatiale of France and Alenia of Italy.

Sir Leon fears the deal would create a near monopoly of the EC market for small commuter aircraft. Canadian officials in Brussels have also approached the Commission with their anxieties.

There is no alternative bidder for De Havilland which, with 4,800 employees, is the largest industrial employer in Toronto, and which carries symbolic importance as a guardian of Canadian aerospace technology, officials said.

Bombardier, the Canadian aerospace and transport equipment group, considered joining the Franco-Italian bid in June, but was unable to reach agreement with its prospective partners.

Canadian diplomats also question whether the EC has a right to apply its anti-trust laws to a non-European country, a sensitive point which recalls similar wrangles over the cross-border scope of competition law between the Canadian government and US anti-trust authorities.

The Canadian government turned down the Franco-Italian offer last June, on the grounds that the partners wanted too much state aid and that they were suspected of wanting to reduce De Havilland to a components supplier. Since then, the European consortium has made new proposals, which the government is likely to accept, say Canadian diplomats.

Aérospatiale was still awaiting a decision from Investment Canada, the government's foreign investment watchdog, a spokesman for the French aircraft group said.

THE LEX COLUMN

Abbey takes out insurance

The attraction of Abbey National has always been its reluctance to squander its spare cash on grandiose acquisitions. Yesterday's relatively modest deal with Scottish Mutual shows it is determined not to stray from this virtuous path, even as it diversifies into insurance. The deal should dilute earnings only marginally in the short run; but it creates a new and potentially ample source of quality earnings for the medium term.

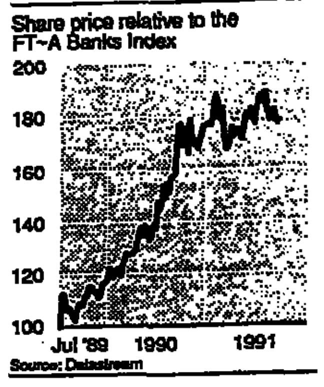
One could quibble about the £285m price tag, which involves £65m in goodwill. But even if Abbey has erred on the generous side, it is paying a far lower premium than would have been needed to acquire a proprietary company. Moreover, it would always have needed to buy in expertise to have its own life operation up and running in time for the severance of its agency link with Friends Provident in 1993.

Under the new arrangement, Scottish Mutual will continue to distribute its products through the up-market independent financial advisers' market. Abbey National Life will operate through its parent's branch network. In time, the latter is likely to make a much larger contribution to earnings. For the moment Abbey will have to make do with an annual contribution of some £20m to £30m from Scottish Mutual, while it will also have to bear the modest start-up costs of its life operation. On that basis, the market's knee-jerk reaction in driving its shares up by over 4 per cent was a trifle overdone.

FT-SE Index: 2,597.8 (+21.2)

Abbey National

Share price relative to the FT-A Banks Index



Source: Datastream

Mutuals

Until fairly recently in the world of insurance, the virtues of being Scottish and the advantages of being mutual were taken for granted in much the same way north of the English border. From management's perspective, it was possible to take a long view without the twin distractions of shareholders and predators. To those who said this bred comfort and complacency, it was justly pointed out that mutuals have collectively performed well over the last 25 years and in individual cases have developed into major UK financial institutions.

Demutualisation is not a new concept. FS Assurance, Pioneer and National Mutual Life of Australasia's UK branch have blazed a trail in the UK, not to mention Scandinavian examples and the current case of Equitable Life of the US. Yesterday's Scottish Mutual deal, though, looks particularly symbolic and revives the question of whether others will go the same way. Certainly, most mutuals face the same pressures which appear to have driven Scottish Mutual into the arms of Abbey National, notably the break up of established patterns of distribution in the wake of the Financial Services Act. That forced many hitherto independent financial advisers to tie themselves to a single company, with inevitable consequences for those which had previously relied on their business.

Many medium sized mutuals in particular have been slow to respond to the challenge, lacking the determination as well as the capital to build up new outlets. Building societies provide obvious partners, as relationships like the one between the Halifax and Standard Life suggest. But whether yesterday's deal with a building society turned bank signals a more general pattern of takeovers is more doubtful, given that only a handful of societies have sufficient free capital. Friendly bids for mutuals from continental insurers are more likely, not least because quoted candidates like Britannic, Refuge, and London & Manchester will hardly roll over without an expensive fight.

Vodafone

Unlike its twin Racal Electronics, Vodafone has not required a bid since the demerger ten days ago to launch its shares into orbit. In that time, Vodafone shares have risen by 16 per cent while the FT-SE index has fallen by one per cent. The performance is the more curious since by any measure except that of other international mobile phone operators, the shares were already on a healthy rating, despite having lagged the market for more than a year. At yesterday's price of 387p, the multiples for this year and next of 23 and 21 rank among the highest in the FT-SE.

The question is how Vodafone should be valued in the short term. The immediate case of Tuesday's paper bid by Bell Atlantic of the US for the indebted Metro Mobile suggests a method based on the potential subscriber base. On that basis, Vodafone would be very cheap. But it would also suggest a £7bn price tag for a company which, by its own admission, will be generating a mere £2bn of revenues by the end of the millenium. As for the argument that the share price now includes a bid premium, it is hard to imagine anything like £7bn being within the cash resources of most likely predators.

A less flattering but arguably more realistic view sees Vodafone as temporarily stuck in a rut at the tail end of the economic cycle. Subscribers taken on now will make little contribution to profits next year. That lag makes the outlook rather more sluggish than the current price suggests.

MFI

Yesterday's full year figures from MFI convey the dismal impression that one of the UK's biggest surviving buyouts is finding the going steadily tougher. MFI's initial advantage lay in having undertaken the buyout before the retail recession took hold and having secured its refinancing ahead of the competition. But the second half figures show a pattern of steady decline: operating profit down by a quarter, net interest charges up by a third – despite a slight fall in net debt – and a move into loss at the pre-tax level. The group's net worth has fallen by a further 10 per cent to minus £321m. It is the more depressing that the board should have seen fit to award themselves a collective pay rise of 21 per cent.

The prospects for sales of furniture and kitchens in the UK are as obscure as ever. It is becoming increasingly doubtful whether the long-awaited upsurge in the housing market will materialise in the traditional way. If not, MFI will have to wait for consumers to get tired of the kitchens they have already. In the meantime, if Asda really is looking for cash from its shareholders, it will have to leave its MFI stake out of the reckoning.

Britain backs Europe by telephone vote

Charting global calls shows the new world order, says **Hugo Dixon**

WHATEVER the EC politicians decide at the Maastricht summit in December, Britons have already voted for Europe – with their telephones.

The UK spends 2bn minutes on the phone to other European Community countries every year – the same as France, not much behind Germany's 2.4bn minutes and almost double Italy's 1.1bn.

While the Franco-German axis is still the strongest in the Community – generating 480m minutes of telephone traffic in 1989 – the Anglo-German and Anglo-French axes are coming along strongly, generating 430m and 410m minutes respectively.

However, only 21 per cent of the UK's traffic is with the US against 43 per cent with the EC. Britain spoke to the US for 1.1bn minutes, while Germany spoke for 700m, France for 360m and Italy for just 240m.

Charting the flows of telephone traffic around the world illustrates the new world order. There is probably no better measure of how closely nations are linked than how often they talk.

These traffic flows are detailed in a report published yesterday by the London-based International Institute of Communications. The report also reveals:

- Luxembourg makes more international calls than India, which has 2,000 times the population. One conclusion is that the international development community should start paying attention to phones as well as irrigation and hospitals if the Third World is to be integrated into the world economy.
- Canada, with less than half the population of Germany, France or the UK, speaks to the US for 2.7bn minutes a year – more than any of the large European nations speak to the rest of the Community. Although language is part of the explanation, the high prices of cross-border calls in Europe are the main culprits.
- Hong Kong, gearing up for the handover of power from the UK to China in 1997, speaks to its new master for 410m minutes a year, about seven times as much as to Britain.
- Italy is particularly badly served by its crippling charges. It speaks to other Community nations less than the Netherlands does, even though it has four times the population.
- AT&T remains by far the largest international carrier, handling 5.8bn minutes of traffic. Although it lost 15 per cent of its market to new competitors between 1986 and 1990, it still managed to increase its traffic by 75 per cent – more than the second largest carrier, Germany's Deutsche Telekom, which grew 59 per cent.
- Japan remains insular, in spite of aggressive moves by Japanese companies into international markets in the 1980s. Its 870m minutes of outgoing calls compare to internationally-oriented Switzerland's 1.4bn. But this insularity could be about to change because of new fibre optic cables and satellites being built across the Pacific. Between now and 1996 there will be a sevenfold jump in transpacific circuits, allowing 1m simultaneous conversations to be held.
- To fill up their new cables and satellites, the phone companies will be forced to slash prices. The total volume of international traffic, estimated at 35bn minutes in 1991, will double to 60bn-70bn in 1995.

The Global Telecommunications Traffic Report 1991, IIC, Tavistock House South, Tavistock Square, London WC1H 9LF, Tel 071-388-0671. £245.

European energy tax

Continued from Page 1

nuclear-produced energy.

Industries with high energy consumption which are "open to international competition" would almost certainly be spared the brunt of the levy unless the EC was able to secure commitments from its main trading partners to introduce similar energy tax regimes.

The proposals are in the form of a discussion paper for the EC Council of member states, but the Commission hopes to get the go-ahead to draft a directive before the end of the year.

In macroeconomic terms, the Commission says the tax would at worst cause only a slight reduction in growth, of up to one tenth of 1 per cent by 2000. It could however cause an increase in inflation of 0.3 to 0.5 per cent per annum.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	25	77
Algiers	C	28	82
Amsterdam	C	16	61
Athens	S	27	81
Bahrain	S	35	95
Bangkok	C	32	90
Barcelona	T	22	72
Beirut	S	28	82
Belfast	C	10	50
Belgrade	S	22	72
Berlin	S	24	75
Biarritz	F	22	72
Bombay	C	34	93
Bordeaux	R	20	68
Boulogne	R	17	63
Brussels	R	19	66
Budapest	S	22	72
Buenos Aires	F	16	61
Cairo	S	32	90
Cape Town	C	23	73
Caracas	C	29	84
Casablanca		-	-
Chicago	C	8	46
Cologne	C	23	73
Copenhagen	C	17	63
Corfu	F	25	77
Dallas	S	11	52
Dublin	F	14	57
Dubrovnik	S	24	75
Edinburgh	F	13	55
Faro	F	24	75
Florence	S	27	81
Frankfurt	S	25	77
Geneva	F	23	73
Gibraltar	R	21	70
Glasgow	F	12	54
Helsinki	C	14	57
Hong Kong	F	29	84
Innsbruck	S	23	73
Inverness	F	14	57
Islamabad	C	32	90
Istanbul	S	26	79
Jakarta	F	32	90
Jersey	S	16	61
Johannesburg	C	20	68
Lima	C	21	71
Lisbon	C	20	68
London	F	15	59
Los Angeles	F	17	63
Luxembourg	C	20	68
Madeira	F	25	77
Madrid	Dr	19	66
Majorca	F	27	81
Malaga	F	23	73
Malta	F	29	84
Manchester	S	15	59
Manila	C	30	86
Melbourne	R	18	64
Mexico City	C	21	70
Miami	F	26	79
Milan	S	25	77
Montreal	R	9	48
Moscow	F	15	59
Munich	S	25	77
Nairobi	F	26	79
Naples	F	26	79
Nassau	R	32	90
New Delhi	S	33	91
New York	R	21	70
Nice	S	26	79
Nicosia	S	32	90
Oporto	S	20	68
Oslo	S	17	63
Paris	R	16	61
Peking	F	24	75
Prague	S	23	73
Reykjavik	S	7	45
Rhodes	S	27	81
Rio de Janeiro	R	26	79
Rome	S	26	79
Salzburg	S	24	75
San Francisco	F	12	54
Seoul	F	23	73
Singapore	F	31	88
Stockholm	S	17	63
Strasbourg	S	25	77
Sydney	S	20	68
Taipei	C	28	82
Tangier	S	25	77
Tel Aviv	S	29	84
Tenerife	F	26	79
Tokyo	S	25	77
Toronto	F	6	43
Tunis	S	28	82
Valencia	F	25	77
Venice	S	23	73
Vienna	S	20	68
Warsaw	S	22	72
Washington	F	19	66
Zurich	S	21	70

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday September 26 1991

INSIDE

Abbey National enters life assurance

Abbey National, the retail bank and second largest UK mortgage lender, is to enter the life assurance market. It is buying Scottish Mutual, a medium-sized Glasgow based mutual life assurance company, for £285m ($495m) and will set up a new life assurance company, Abbey National Life, to sell life assurance policies through its branches. Page 24

Building up a war chest

Porter Chadburn, the UK leisure, packaging and sporting goods group which markets Head and Gola products, yesterday launched a £20m ($34m) cash call. Mr Raymond Dinkin, chairman and chief executive, said the cash call would position the group for further acquisitions. Page 29

Geest ahead 7%

Geest, the UK fresh produce and prepared foods group, reported a 7 per cent increase in taxable profits. Page 30

Move in Polly Peck case

The administrators of Polly Peck International, the collapsed fruit and electronics group, may gain access to the company's records in northern Cyprus. Page 28

Water group slows

Lyonnaise des Eaux-Dumez, the French diversified water utility and construction group, expects full-year profits to increase by less than that recorded for the first half. Page 24

Cuba to double nickel output

Cuba, which has more than a third of the world's nickel reserves, will more than double its output in the next five years, thanks in part to a western $1.2bn investment. Page 31

Dry beer loses its appeal

Asahi Breweries, the Japanese brewer which doubled market share and changed marketing methods by inventing dry beer, is now struggling to maintain its foothold. Page 33

Australia's bulls kept waiting

Australia's stock market bulls are still waiting for the rally which many had forecast earlier this year. Page 41

New reforms in Paris

Over the past three years, the French government and the Paris bourse authorities have instituted a series of reforms. One side-effect has been a flow to London's less regulated Seaq International. Page 27

Banks breeding in Greece

Four new banks have opened in Greece in the past nine months. Kerin Hope reports on the rush into Greek banking. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Gerresheimer	459	+	11
Springer Axel	555	+	18
Falls			
Colonia Konz.	857	−	13
Linde	816	−	10
Porsche	685	−	10
Zanders	250	−	7

NEW YORK ($)			
Rises			
Best Buy	27⅛	+	2¼
Gen. Dynamics	48	+	2¼
Horizon Hm.	7¾	+	⅝
Loral	26⅛	+	2⅜
Upjohn	46⅛	+	1⅞
Falls			
Knowledgeware	18	−	1¼

New York prices at 12.30.

PARIS (FFr)			
Rises			
Radiotech	525	+	13
Simco	475	+	11
UFB Locabail	380	+	12
Falls			
BIC	738	−	18
Docks France	371	−	10
Gaumont	719	−	30

TOKYO (Yen)			
Rises			
Dainippon Ink	701	+	97
Daiwa Heavy	1120	+	110
Nagasakiya	1900	+	220
Nippon Cnvyr.	1160	+	110
Towa Espe	497	+	47
Toyo Eng.	1270	+	120

LONDON (Pence)			
Rises			
ASDA	64	+	4½
Abbey National	306	+	13
Adscene	84	+	11
BSG Intl	59	+	7
Domino Print. Sc	398	+	12
Eleco	64	+	3
Era Group	35	+	3
Geest	353	+	15
Johnston Press	285	+	14
MEPC	506	+	11
ML Labs	489	+	16
Maxwell Comm	170	+	6½
Meggitt	104	+	5
Ricardo Intl	108	+	10
Standard Chart	371	+	21
Thorpe (FW)	108	+	5
Vodafone	387	+	12
Falls			
Dwyer	108	−	17
Fired Earth	79	−	6
Harding Grp	8	−	4
Porter Chadb'n	77	−	6

Air France to cut 3,000 jobs in revamp

By **William Dawkins** in Paris

AIR FRANCE, the French national carrier, yesterday unveiled a complete overhaul of its organisation, just as industry officials said it was on the point of finalising an alliance with Sabena, the troubled Belgian carrier.

The French and Belgian groups are expected to announce shortly that Air France is to pay BFr4bn ($116m) for a 35 per cent stake in Sabena, with which it will make a commercial partnership based on their main hubs at Zaventem and Charles de Gaulle airports. A Belgian financial consortium is expected to provide another BFr2bn.

Air France made no official comment, but it is understood that the deal is to be completed shortly. Only last year, the group took over its two national competitors, Air Inter, the domestic airline, and UTA, the long-haul carrier to Africa and the Pacific. This was subject to strict conditions demanded by the European Commission, which can be expected to study a Sabena link-up closely.

Air France is to shed 3,000 jobs – nearly 8 per cent of its workforce – in the next two years and save FFr1.5bn ($264m) annually, as the result of a reorganisation agreed by the board yesterday.

The changes are the result of a nine-month study by Andersen Consulting, the management consultants, on how Air France could cut its costs and become more competitive in the face of increased competition in Europe and from US and Asian airlines.

Air France is to merge UTA's routes with its own, phase out the UTA flag by the end of 1993, but keep the subsidiary's management and remaining staff in place.

Air France and UTA had some overlapping routes, but the change will also allow the national carrier to enlarge its network, said an official. It is not yet known how the job cuts will be shared between UTA and Air France.

The French national carrier is also selling its central Paris headquarters for FFr1.6bn and will move to Charles de Gaulle airport, north of the capital, by 1995. This extra cash comes on top of the total of FFr3bn of capital to come from the French government and from Banque Nationale de Paris.

From the start of next year, Air France will restructure its management into three divisions in charge of freight, passengers and operations while the 60 regional divisions will be reduced to 30, with greater autonomy than before. Air France's seven-tier management hierarchy will be reduced to a five-tier system.

The changes should enable Air France, which made a FFr717.2m loss last year, to break even from 1993, said the group.

Lep shares stabilise as banks agree on credit

By **Jane Fuller** in London

THE SHARE price of Lep Group, the UK security and distribution concern which is 27 per cent owned by ADT, stabilised at 27p yesterday after falling from 87p to 20p this week.

The group said it had signed a credit agreement with 23 of its 30 banks, led by National Westminster. Mr John East, chief executive, was confident the remaining seven would come into line.

Mr East said Lep had been heading for breaches of its loan covenants, which had been suspended during 2¼ months of talks with the banks.

Net debt rose from £400m ($696m) to £470m in the first six months, although just over half of this was exchange-rate effects. Operating profit fell to £20.1m (£23.3m) and the cost of managing joint property ventures knocked off a further £1.1m to give £19m profit covering £17.1m of interest payments.

Interim pre-tax profit fell from £10.4m to £1.9m on sales of £749.1m (£740.2m) and the dividend was passed. Lep said full-year profit would be less than half last year's £29.4m.

The group said a £20m extraordinary provision for losses on US property might be made at the year-end. National Guardian, the US security systems business which Lep is trying to sell, contributed £9.4m (£12.3m).

EBRD president Jacques Attali argues that money is only part of the solution to Eastern Europe's problems

Photo: Tony Andrews

Raising cash to invest in the east

Tracy Corrigan reports on the EBRD's successful first borrowing

Two years after it was first conceived, the European Bank for Reconstruction and Development has started to borrow the resources it will need to finance the economic regeneration of eastern Europe.

Yesterday, the bank made its first offering in the international capital markets, raising Ecu 500m from an issue of five-year bonds which was sold out almost immediately. Indeed, because of the bank's relatively small funding needs, the paper is likely to have an extra rarity value.

Mr Jacques Attali, the EBRD's president, welcomed the bank's first issue, which successfully lays the groundwork for its future borrowing plans.

The EBRD needs to borrow even though it is sitting on Ecu 600m ($732m) of paid-in capital. The bank's capital, provided by member countries, serves to create an extremely credit-worthy bank, and is not primarily intended for lending purposes. Only equity investments will be made from capital.

The bank's Triple-A credit rating allows it to raise debt in the international markets at very favourable terms. The capital markets will be the primary source of funds, which the bank will then lend on, charging a margin.

The EBRD is expected to be a profitable bank. "We are not a profit-maximising but a profit-guided institution. We do not distribute dividends, but we do need to show strength in our financial structure," said Mr René Karsenti, the EBRD's treasurer, who formerly held the same job at the International Finance Corporation, the World Bank's private-sector finance arm.

The bank has now completed four loans to projects in eastern Europe. The first, approved in late June, was to Poland's Bank of Poznan for a heat supply project. The most recent financings, announced this week, include a DM10m ($6m) loan to Petőfi Nyomda, a recently privatised packaging company and an Ecu 81.7m agency line to finance small and medium-sized enterprises, in a joint venture with with NMB Postbank. A $10m equity investment in the Czechoslovakia Investment Corporation, a country fund dedicated to small and medium-sized enterprises, was also announced last week.

THE EBRD'S PROSPECTIVE BORROWERS

	Population (millions)	GNP per capita ($)	Debt ($bn)
Bulgaria	9.0	1,112	10.8
Czechoslovakia	15.6	2,794	8.1
Hungary	10.5	3,011	21.3
Poland	37.0	1,595	41.6
Romania	23.3	1,393	0.5
Yugoslavia	23.3	5,008	60.0
USSR	286.0	4,287	60.0

Source: Morgan Guaranty Trust

Around 200 more projects are in the pipeline. Nevertheless, yesterday's Ecu 500m issue of five-year bonds will provide for much of the bank's lending needs in the next year or so. The current borrowing programme is to raise Ecu 800m by the end of 1992.

The Ecu 500m deal was primarily designed to establish a benchmark issue, and so promote a strong investor base for future issues. But the advance funding also carries financial benefits.

In this particular instance, the fixed-rate Ecu liabilities of the Ecu 500m deal were swapped into floating-rate dollars, Ecu, and D-Mark liabilities at a margin below the London interbank offered rate. The proceeds of the issue are then invested in short-term instruments, paying a higher rate of interest. Consequently there is a "positive carry" – the bank is able to earn a margin on the funds before disbursement.

"We cannot afford to do an issue that would then cost us money to hold," said Mr Anders Ljungh, EBRD vice-president for finance.

The larger dollar and Ecu portions were swapped at better than 20 basis points below the London interbank offered rate, significantly more attractive terms than could have been achieved by funding initially in fixed rate dollars.

The EBRD's treasury has decided to have three pools of funds, because of early indications of demand for dollars, Ecu and D-Marks.

Borrowers can choose which (convertible) currency, and which interest rate basis – fixed or floating – to take. The EBRD is encouraging borrowers to match the currency in which it borrows to the hard currency in which it is best able to generate income, so that exposure to currency fluctuations is reduced.

For the moment, the bank's liquid funds are conservatively invested in Ecu deposits with banks rated single-A and above, but the bank plans to diversify into securities and other money market instruments.

The bank also intends to enter the "repo" (repurchase agreement) market, where it will lend its securities to other institutions for a fee. Mr Karsenti believes the EBRD is well placed to take advantage of the growth of the Ecu repo market, in particular.

Next, the EBRD's treasury will start to use derivative products, in order to have the "flexibility of futures and options, once we are are satisfied that an adequate risk management system is in place", said Mr Karsenti.

With yesterday's bond offering, the EBRD has successfully established itself as a presence in the world's capital markets. The real test will come, however, as it lends money to larger projects, when the scale of lending, and the risks, are likely to rise.

But for Mr Attali, lending is only part of the bank's mission. "A large part of our role is to influence the west", he said yesterday.

"If we succeed in opening western markets [to eastern European exporters], our influence will be much be bigger than any financing we could do."

Regulators near agreement to raise brokers' capital

By **George Graham** in Washington and **Richard Waters** in London

SECURITIES companies in several leading financial centres could be forced to increase the capital tied up in their businesses, following a tentative agreement between international securities regulators.

One British regulator said the agreement could add "hundreds of millions of pounds" to the capital needed by London-based brokers and dealers.

The agreement, representing a majority view of national regulators meeting under the auspices of the International Organisation of Securities Commissions (Iosco), aims to impose minimum capital ratios on all securities companies, in the same way that the Cooke committee of the Bank for International Settlements has sought to unify bank prudential ratios.

Under the proposal, dealers would have to hold capital amounting to 8 per cent of their gross equity positions and 4 per cent of their net positions, after taking account of offsetting holdings such as futures and options.

France, Japan and the UK have expressed strong reservations about these figures, which they believe exaggerate the risks in holding a diversified portfolio of liquid equities, and argue that different ratios are needed to reflect the varying volatility of different markets.

They claim the 4 per cent rule is unnecessarily high for net positions, which carry only minimal risk, and that the required capital backing should be 2 per cent.

The higher figure is understood to have been insisted on by the US, which earlier this year helped to block an Iosco proposal it considered too lax.

In spite of the disagreement, the latest paper is the furthest Iosco has moved on the subject of capital adequacy in three years of discussions. Work is underway to lessen the impact of high minimum ratios in countries with less stringent capital regimes.

Iosco is expected to meet the Basle committee of bank supervisors in the next few weeks to hammer out agreement on the assessment of securities risks for securities companies and banks.

Iosco has accepted, with varying degrees of reluctance, the Basle committee's "building block approach" to gauging the capital companies need to match their risks. This involves dividing the securities position risks into credit risks associated with the particular company whose shares are held, and general market risks.

Nikon halves investment budget

By **Steven Butler** in Tokyo

NIKON, a leading maker of cameras and semiconductor manufacturing equipment, has cut its capital investment budget for the year by more than half, to Y8.5bn ($63.90m) from Y20bn, in response to a sharp drop in equipment purchases from semiconductor makers.

The company also lowered its consolidated pre-tax profits projection to Y13bn from Y26bn in the year to the end of March 1992. This would be a decline from Y32bn in the last fiscal year.

Nikon has fallen victim to a worldwide slowdown in computer sales, which has cut demand for semiconductor chips and caused manufacturers to postpone investment in capacity for the latest generation of high-capacity memory chips, the 4MB D-Ram (4 megabyte dynamic random access memory) chips. The highly cyclical nature of the semiconductor market has already forced many companies to leave the industry, with the last downturn coming about five years ago.

Nikon's difficulties also reflect a broad slowdown in the Japanese economy which has cut into capital spending. This has been caused in part by the plunge in the Japanese stock market and the high level of interest rates, which has sharply increased the cost to Japanese companies of raising capital.

Hitachi, Japan's leading electrical machinery company, recently said it would cut its own capital budget by 20 per cent in response to the slowdown. Other semiconductor makers said they were reviewing investment budgets.

However, Nikon has been hit harder because it is more specialised, with 32.4 per cent of sales last year to the semi-conductor industry. Camera equipment was 41.8 per cent of sales.

The depth of Nikon's troubles is shown even more clearly by a cut in its research and development budget to Y13bn from Y15bn. The cut is proportionately much smaller than the decline in facilities investment, and spending will remain at a similar level to last year. Nonetheless research and development is typically the last item to be touched for a company like Nikon which markets technically advanced products and needs to stay ahead.

Nikon has further lowered projected consolidated sales to Y290bn, compared with Y305bn last year, while after-tax profits are expected to decline to Y6bn, after Y17.3bn.

MFI sees annual pre-tax deficit increase to £22.7m

By John Thornhill in London

MFI, the UK furnishings group, yesterday reported a substantially increased annual pre-tax loss of £22.7m ($39.2m) as it grappled with the recession and the costs of servicing the mountain of debt it assumed at the time of its £718m management buy-out in 1987.

The deficit at the group, in which the Asda grocery business retains a 25 per cent stake, deepened from £1.9m in the previous year, as margins were eroded and the interest charge rose by £12.6m to £78.8m.

However, Mr Derek Hunt, chairman, was optimistic about the future and confident of paying down £15m of debt due in April 1992. He said that during the year MFI had increased operational efficiencies and market share in its core areas.

In the year to April 27, operating profits slipped 15 per cent to £46.8m, although turnover rose 4 per cent to £620.7m. Following an extraordinary charge of £2.9m – relating to the closure of concession operations – the company recorded a total loss of £24.5m for the year, compared with £9.2m the previous year.

Plans to float the business had been shelved until the company gained a clearer picture of where the economy was heading, said Mr Hunt. No decision was expected before the end of the year.

MFI said the recession had hit the company early in 1989 and the decline in consumer spending and the mounting interest bill "endangered the very existence of the group".

However, the group's financial position was stabilised this April after it rescheduled its debt repayments. Apart from the £15m repayable in April 1992, £25m becomes due in November 1992, followed by £30m the following April.

Mr John Randall, finance director, gave three reasons for the higher interest costs: £155m of debt moved from fixed to floating rates during the year; £50m of debt to Chemical Bank became liable for interest payments; and a favourable interest hedging on a further £85m of debt expired.

He estimated that lower interest rates would reduce the charge by between £4m and £5m in the current year.

MFI ended the year in a cash neutral position after improvements in the working capital position, a reduction in capital expenditure to £17.8m, against last year's figure of £24.4m, and a lower depreciation charge of £29.7m, compared with £31.3m.

During the year the company shed almost 700 jobs, about 8 per cent of the workforce.

Nordbanken falls into the red amid mounting credit losses

By John Burton in Stockholm

NORDBANKEN, the Swedish state-controlled bank, yesterday reported an unexpectedly large loss of SKr4.6bn ($755.3m) for the first eight months of 1991 as credit losses and provisions climbed to almost SKr8bn.

Nordbanken is the first big Swedish bank to fall into the red following a year-long crisis in the country's finance and property sectors which has saddled the banking industry with a growing amount of bad loans.

Similar credit losses, the result of financial deregulation and a borrowing boom in the 1980s, have already severely affected banks in the rest of the Nordic region, particularly in Norway.

Nordbanken predicted that total credit losses for the year would amount to SKr9.5bn, the largest in the country's banking history and far above the forecast of SKr3.5bn it gave four months ago. Nordbanken had credit losses of SKr5bn last year.

MOODY'S Investors Service has placed the ratings of Nordbanken under review for possible downgrade, Reuter reports.

Moody's said it was reviewing the bank's ratings for long-term deposits, senior unsecured debt, and subordinated debt, currently all at double-A1.

About $1.7bn of debt is affected.

The projected losses for 1991, which consist of about 20 large loans, amount to 3.5 per cent of total lending volume and cover about two-thirds of the non-performing loans on the bank's books.

The sharp increase in losses stems partly from the collapse last month of the corporate empire controlled by Mr Erik Penser, the Swedish financier, who had a 13.5 per cent stake in Nordbanken.

Nordbanken, his biggest creditor, took control of Nobel Industries, the chemicals and defence group created by Mr Penser, after he defaulted on loans.

The bank warned that expected credit losses could rise further this year if the property market worsens. Nordbanken is heavily involved in property lending.

Yesterday's result poses a potential political problem for Sweden's new non-socialist government. It wants to privatise Nordbanken, but that seems unlikely for the moment with the bank reporting losses.

The non-socialists also criticised a proposal last month that the Swedish state subscribe to a SKr5bn new share issue by Nordbanken. This would allow the bank to reach a capital adequacy ratio of 8.3 per cent by end of 1992, while increasing its capital base to SKr22bn.

Mr Allan Larsson, the outgoing finance minister, urged the new government to proceed with the share issue.

UK bank to enter life assurance market

By David Barchard in London

ABBEY NATIONAL, the retail banking group and second largest UK mortgage lender, is to enter the life assurance market.

It is buying Scottish Mutual, a medium-size, Glasgow-based mutual life assurance company, for £285m ($495.9m) and will then set up a new life assurance company, Abbey National Life, to sell life assurance policies to Abbey National's 7m customers.

Mr Peter Birch, Abbey National chief executive, said yesterday he expected Abbey National life to become rapidly established in the life assurance market after it gets under way in 1993. "We needed to acquire a mutual but at the same time build our own life assurance operation," he said.

Setting up the life assurance will cost £65m on top of the price for Scottish Mutual.

The purchase involves the biggest-ever demutualisation of a life assurance company in the UK. It must be approved by at least 75 per cent of Scottish Mutual's policyholders at an extraordinary general meeting in November and be confirmed by a court hearing in Scotland in December. Yesterday, Abbey National said it expected some opposition to the proposals.

About a quarter of the £285m purchase price will finance a one-off bonus to the qualifying Scottish Mutual members. The rest will be paid into Scottish Mutual's funds to support the level of future bonuses for existing policyholders. About £65m of the £285m price represents goodwill for the purchase of Scottish Mutual's business.

Scottish Mutual will continue to operate as a separate life assurance company inside the Abbey National group, selling its policies through brokers.

Abbey National will set up its own 500-strong sales force which will sell policies from the new Abbey National Life through its branches and estate agency chain.

Abbey National's shares closed at 306p in London yesterday, up 13p.

Aboard the banking bandwagon

Kerin Hope looks at a Greek industry on the move despite recession

PRIVATE banks are springing up in Athens like mushrooms after an autumn shower.

No fewer than four new Greek banks have opened for business in the past nine months, while two more are expected to start taking deposits before the end of the year.

Several more applications for banking licences are awaiting approval from the Bank of Greece, despite the fact that the capital requirement for Greek banks was raised recently from Dr2bn ($10.5m) to Dr4bn.

The rush into banking comes as Greece endures a recession that has deterred all but the most determined businessmen from investing. Interest rates have hovered around 30 per cent for the past two years. More than Dr600bn – about 5 per cent of total deposits – has been withdrawn from the banking system since January, when the government introduced a 10 per cent tax on interest earnings.

However, cautious but steady deregulation since 1987 has radically changed the structure of Greek banking. Controls on interest rates have been abolished, compulsory reserve requirements reduced and curbs on capital movement lifted.

Bank profits rose to record levels last year, led by the two existing Greek private banks which both increased their earnings by over 60 per cent.

"Banks have been making high profits because commissions are still large and the spreads are so big – 3 or 4 per cent at least," says Mr David Watson of Xiosbank. "Greek entrepreneurs see a chance of making good money in banking."

Behind the new banks are some prominent names in Greek shipping and industry. Xiosbank is controlled by the Vardinoyannis group, with interests ranging from shipping and oil refining to soccer clubs, a newspaper and a private television station.

Xiosbank wants to become Greece's leading consumer bank. It is launching products designed to draw customers away from the state-owned banks, which still control about 80 per cent of the market despite a reputation for slow, bureaucratic service. Personal loans, interest-bearing checking accounts and speedily-arranged housing mortgage loans are all available.

"Capital and money markets here are not very deep or mature as yet, so deposits are king. To run a successful bank you must have a good deposit base," says Mr Watson. Since opening in March, Xiosbank has attracted Dr12bn in deposits, while loans total Dr4bn.

Like other new banks, Xiosbank must seek an Athens Stock Exchange listing within three years, and had to make at least 20 per cent of its equity available to a Greek or foreign investor. The minority stake was acquired by Luxembourg-based companies controlled by two other leading Greek shipping families, Livanos and Goulandris.

Foreign banks have bought stakes in two other newly-established private banks. Bank Worms of France owns a controlling interest in Interbank, set up by Mr Dimitris Kontominas, chairman of one of Greece's biggest insurance companies. Bank of Scotland acquired 30 per cent of Dorian Bank, which belongs to Mr John Mavrakakis, another shipping magnate.

The Greek tycoons' new-found enthusiasm for banking reflects both increasing interest in diversifying and a renewed willingness to invest at home, where the talents of Greek financial managers trained by the numerous foreign banks operating in Athens can be drawn on.

Under central bank rules, however, the new private banks can finance only a relatively small part of their owners' activities: loans to such companies cannot total more than 30 per cent of the capital.

The most ambitious of the new banks is Euromerchant, the Athens arm of the banking empire controlled by Mr John Latsis, with banks in Geneva, Luxembourg, Monaco and London. The group's total equity amounts to about $500m, of which some $170m is accounted for by Private Bank in London, belonging to the same holding group as Euromerchant.

Euromerchant has already embarked on a joint venture with Alico, the Greek subsidiary of American International Group, a leading US insurer. The venture involves creating a management company to set up mutual funds on an international basis. The bank is also co-managing a venture capital fund in co-operation with Baring Venture Partners and a leading Greek businessman.

"The other banks in our group specialise in private banking, but we're in a different environment, so we're developing other activities as well – corporate banking for selected clients, investment banking and project financing," says Mr George Gonticas of Euromerchant.

A veteran Greek banker, Mr Gonticas headed a successful state-owned Greek investment bank and went on to help establish Banco Portugues de Investimento (BPI), now Portugal's leading private bank.

Italian telecom company surges 54% to L604.5bn

By Haig Simonian in Milan

SIP, the state-owned Italian telecommunications operating group, reported a 54 per cent rise in operating profits to L604.5bn ($483.2m) in the first half of this year, from L392bn in the same period in 1990.

Turnover rose by 16 per cent to L9,460bn, swollen by a substantial rise in call charges in January and booming demand for portable phones.

The increase came as the company, which operates Italy's domestic telephone services, announced a long-awaited restructuring plan. The revamp will involve establishing four independent operating divisions designed to be more responsive to customer needs. The units will focus on the public network, mobile communications, basic services and "business" – which will include value-added services – respectively.

Meanwhile, SIP is pressing ahead with its L44,000bn four-year investment plan, with expenditure of L4,881bn in the first half of this year. To fund its needs, SIP has made several calls on its shareholders, with a L893bn rights issue this year coming barely 12 months after an even bigger cash call of around L1,200bn in 1990.

The company said is had made progress in updating Italy's often lamentable telephone system, with 80 per cent of main trunk exchanges now digitalised.

German charter airline and Club Med in venture

By Christopher Parkes in Bonn

LTU, Germany's leading charter airline, is going into the upmarket holiday camp business in partnership with the French specialist, Club Mediterranée.

Announcing a 50-50 joint venture in Düsseldorf yesterday, the companies said they planned to open three clubs specifically for German trippers in time for the 1993 holiday season.

By 1995, they aim to have a chain of 10 or more 800-bed encampments scattered through the Mediterranean and Caribbean, catering for 60,000 visitors a year.

Launch capital of DM1m ($599,000) will be increased to DM30m over the next five years, the partners said.

Club Med, which entertains about 2m people a year in 237 holiday resorts across more than 30 countries, will build and manage the clubs, and LTU will handle the marketing and transport.

The French group set up a German branch of Club Med in 1978, but has managed to attract only about 80,000 customers a year from an estimated potential market of 3.6m.

The new club chain, according to Mr Hans-Joachim Driessen, LTU managing director, would be a core business in the group's portfolio. LTU runs the third largest travel bureau business in Germany.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.09.91: Pool purchase price £/MWh	Final Prices for Trading on 28.09.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.86	15.95	15.95
0100	15.85	15.69	15.69
0130	15.85	15.65	15.65
0200	15.86	15.65	15.65
0230	15.86	15.61	15.61
0300	15.85	15.61	15.61
0330	15.85	15.61	15.61
0400	15.82	15.61	15.61
0430	15.82	15.65	15.65
0500	15.85	15.58	15.58
0530	15.84	15.65	15.65
0600	15.85	15.69	15.69
0630	15.98	15.95	15.95
0700	16.25	15.69	15.69
0730	18.98	18.47	20.72
0800	26.47	19.03	21.29
0830	25.88	19.36	21.85
0900	31.09	22.78	25.23
0930	31.12	26.20	28.79
1000	30.75	26.29	28.89
1030	30.12	26.20	28.78
1100	29.39	22.85	25.46
1130	30.29	23.02	25.56
1200	31.15	25.09	27.86
1230	30.14	24.96	27.49
1300	27.95	22.70	25.13
1330	25.20	22.50	24.88
1400	25.38	23.17	23.17
1430	24.94	23.15	23.15
1500	24.93	22.41	24.77
1530	24.10	22.41	24.77
1600	24.98	22.43	24.80
1630	26.56	22.46	24.86
1700	27.67	25.63	28.08
1730	26.83	25.60	28.04
1800	25.18	25.59	27.97
1830	24.90	21.51	23.84
1900	24.84	19.25	21.51
1930	22.98	18.69	20.94
2000	26.46	16.11	16.11
2030	25.37	19.89	22.14
2100	24.29	21.51	23.84
2130	19.03	21.51	23.84
2200	18.69	19.85	22.12
2230	18.58	18.28	20.51
2300	17.77	17.85	20.08
2330	16.25	17.85	20.08
2400	15.98	17.85	20.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

Asahi struggles to keep momentum

By Emiko Terazono in Tokyo

ASAHI Breweries, the Japanese brewer which doubled its market share and changed traditional marketing methods by inventing dry beer, is now having difficulty in maintaining its position.

Shipments by Asahi have remained flat year-on-year for the first eight months of this year, while the three other leading beer companies – Kirin, Sapporo and Suntory – have increased shipments by 5 per cent.

Unlike British beer-makers, which market products by identifying themselves with traditional images, Japanese beer companies try to quench the Japanese consumer's thirst for novelty with new products and flashy packaging. The trend was triggered by Asahi's success with its dry beer – a sharper tasting brew with higher *alcohol* content – which was a response to the continuing diversification of consumers' tastes.

JAPAN'S BIG FOUR BREWERS' MARKET SHARE

Volume	1990 (%)	Change†	sales % change†	Jan-Aug 91 %	Change†	Change†
Kirin	49.2	1.1	11.0	49.5	0.6	5.0
Asahi	24.7	-0.2	8.0	24.3	-1.0	0.0
Sapporo	18.0	-0.7	6.0	18.1	0.3	5.0
Suntory	8.1	-0.2	4.0	8.1	0.1	5.0
Total	100		*9.0	100.0		*3.6

*† Year on year figures *For entire industry, +8.2% year-on-year in 1990; +6.1% year-on-year 1/91–7/91*
Source: Nihon Keizai Shimbun

According to Schroder Securities, the brokerage firm, the annual volume of beer shipments from 1980 to 1986 increased by a compound rate of 1.5 per cent. However, since Asahi's success in 1987, the growth rate has surged to 6.5 per cent. Last year, *shipments* by the four companies were estimated at 6.5m kilolitres.

With dry beer, Asahi turned itself around from a company with dwindling market share. *Dry beer* sales surged from 13.5m cases in 1987 to 75m cases in 1988. Sales topped 100m in 1989, pushing Asahi's market share to about 25 per cent, surpassing Sapporo.

However, Asahi's problems started last year when Kirin Beer, the market leader, launched a premium-priced luxury beer called Ichibanshibori. In March, Asahi tried to *compensate for the slowing* growth in sales of its dry beer by releasing its highly-publicised "Z" brand, but the new product *failed* to replicate the success of dry beer.

New beers by Sapporo and Suntory have also eroded sales of Asahi's products. Asahi said that the earlier sales projections of an annual 30m cases of "Z" would be hard to achieve.

As the beer companies are now gearing up for autumn campaigns, Asahi hopes to strike back with yet another new beer. The autumn campaigns will be the first launched by Japanese beer industry, as beer sales, which have tended to flatten out in the cooler weather, have been growing steadily.

Asahi launched its new premium beer last week, while Kirin has started selling an "autumn beer" earlier this month *to be marketed until* November. Suntory also released its Beer Nouveau - a limited *edition product made* from barley and hop harvested in the same year as the beer was brewed.

ACM capitulates to hostile bid

By Kevin Brown in Sydney

THE BOARD of Australian Consolidated Minerals (ACM) yesterday ended its defence against a hostile A$260m (US$208m) joint bid by Western Mining Corporation and Normandy Poseidon by recommending that shareholders accept the offer.

The announcement formally ends the battle *for* ACM, although the bidders claimed victory last week after AFP Group, the company's largest shareholder, accepted the A$1.11-a-share offer for its 30 per-cent stake.

Acceptances from small shareholders have since given the bidders a majority shareholding. Resplendid, the jointly owned bid vehicle, yesterday said it owned 66.83 per cent of ACM.

The announcement by the ACM board reflected Resplendid's view that the battle had ended. Five directors said they believed the offer undervalued the company, but recommended acceptance because control of the company would pass to Resplendid.

Two directors who are also directors of AFP Group, the Monaco-based investment company, said they did not consider themselves justified in making a recommendation because of AFP's earlier acceptance of the offer.

ACM shareholders had earlier rejected a key plank in the board's defences against the takeover bid – a plan to sell a 50 per cent stake in its Mount Keith nickel deposit in Western Australia to Outokumpu Metals and Resources of Finland.

Western Mining last week reached agreement to develop the Mount Keith deposit jointly with Outokumpu if the bid succeeded. Mount Keith, which has reserves of 270m tonnes of nickel-bearing ore, is a potentially important source of low-grade ore supplies for Western Mining's nearby Kambalda nickel refinery.

Under an agreement between the bidders, Mr Robert Champion de Crespigny's Normandy Poseidon group will acquire control of ACM's gold mines and some other assets.

Resplendid said its offer was now unconditional and would close on October 23. Accepting shareholders will receive a 5 cent final dividend to be paid on October 15.

Resplendid has also agreed to pay A$1.8m for 22.5m partly paid shares, and a total of about A$2m for various employee options.

Paper companies consider US recycling plant

MACMILLAN Bloedel of Canada and Germany's Haindl Paper are considering building a US$400m paper recycling mill in California, writes Robert Gibbens in Montreal.

The single-machine mill, which could be given the go-ahead in early 1992, would be owned equally by the two companies. Its capacity would be 258,000 tonnes a year.

MacMillan Bloedel, 49 per cent owned by Noranda Forest and part of the largest Canadian forest products group, said in a statement: "Our best option is to serve the recycled market from the urban forest of recycled papers in California rather than ship waste back to British Columbia."

California is one of the most important markets for British Columbia newsprint producers.

Gevaert reports steep rise in earnings

By David Buchan in Brussels

GEVAERT, the Antwerp-based financial holding company, yesterday announced a sharp rise in net earnings to BFr1.98bn ($57.7m) in the first half of this year, compared with BFr1.1bn in the same period last year.

The largest part of the gain arose from the sale of the group's holdings in CMB, the Belgian shipping company, Paribas Participations (PPL), as well as from the sale of 100,000 shares in Bayer, the German chemical company.

Gevaert has bought a 3 per cent stake in Compagnie de *Navigation Mixte*, a French holding company.

The company forecast that *for* the year, group earnings could be "at least 15 per cent" higher than last year, setting the possibility of book value adjustment on certain assets against the high level of capital gains already recorded.

● BARCO, the Flemish electronics group, yesterday announced a sharp fall in net post-tax profits to BFr30m in the first half of this year, compared with BFr410m.

It said the decline was largely due to a 10 per cent drop in turnover, which it attributed to the Gulf war's impact on investment, to the recession in two of its most important export markets, the US and the UK and to general problems in the textile sector.

However, the group predicts an upturn in the second half.

● GENERAL Dynamics, the US defence contractor, expects third-quarter earnings to exceed $1.50 a share, Reuters reports.

Mr William Anders, chairman, said the company was considering options for excess cash it was generating, including a stock buy-back.

National patterns found in foreign investment in US

By Martin Dickson in New York

THERE was an Englishman, a German and a Japanese, and they all wanted to start up businesses in the US. The Englishman launched a noisy takeover bid for a US rival; the German quietly set up his own green field operation; and the Japanese man did roughly the same as the German, with a little more emphasis on joint ventures with local partners.

Those, at least, are the national stereotypes which emerge from a study of European direct investment patterns in the US which provides tentative answers to how and where foreign companies spend their money in the US, and what issues cause their managers to lose the most sleep.

The study was carried out by KPMG Peat Marwick, the consulting firm, for the European Institute, a non-profit organisation concerned with Euro-American relations, and it was based on interviews with more than 1,600 foreign investors in 13 US states.

The survey is not exhaustive – for example, the states covered do not include California and New York – but it does throw significant fresh light on corporate decision-making.

European direct investment in the US soared from $54.5bn in 1980 to $426.5bn at the end of 1990, and while it is still growing, the pace has slowed sharply from the heady days of the mid-1980s.

The survey shows that the rate of growth of new European investment in the 13 states decreased by 16 per cent in 1988, compared with the previous year, and by a further 35 per cent in 1989. This is presumably due both to the slowing of the US economy and the new opportunities closer to home created by the European Community's single market initiative and the opening up of eastern Europe.

Most European-owned companies in the US are small, with 69 per cent of those surveyed having sales of $24m or less and only 10 per cent having sales of over $100m. The larger companies are predominantly British.

The method of establishing US operations also varies significantly from country to country. Despite the publicity given to takeover bids, nearly three-quarters of the companies in the study were established as start-ups, compared with 25 per cent through acquisitions and 4 per cent through joint ventures. But 40 per cent of the UK subsidiaries were established by takeovers, compared with 22 per cent for France, 15 per cent for Japan and 13 per cent for Germany.

However, once established, a significant number of European companies – 32 per cent – said they were now considering expanding through acquisitions. British companies were again most interested, with 43 per cent seeking new takeovers, followed by 38 per cent of French companies and 35 per cent of Dutch ones.

Only 19.5 per cent of German companies were actively interested in buying a US concern. Ms Francine Lamoriello, the author of the report, says this perhaps confirms that German investors increasingly intend to devote their resources to eastern Germany and other parts of Europe.

Her research conflicts with conventional wisdom that tax and other investment concessions by US states are important factors in a company's decision where to locate in America. Being close to key industries and markets tend to be the most important factors, together with convenient air transport. For example, south-eastern states such as Georgia and the Carolinas attract forest industry investment from Scandinavia, and textile industry investment from Germany and Switzerland.

Japanese investors are much more likely than European to consider the quality and cost of labour and particular distributional advantages of an area.

Says Ms Lamoriello: "These results perhaps indicate that states and local policies which capitalise on the strength of indigenous industries may be more successful in attracting foreign direct investment than general promotional programmes which provide tax and other financial incentives to all investors."

● *European Investment in the United States. KPMG Peat Marwick, International Practice, 767 Fifth Avenue, New York, New York 10153.*

CROSS-BORDER acquisitions by UK companies continued to decline in the second quarter of the year, according to figures released by the Central Statistical Office yesterday, writes Simon London.

UK companies made 74 acquisitions of overseas companies in the three months to the end of June, with a total value of £500m ($866.5m).

This brings the total number of acquisitions for the first half of 1991 to 188, totalling £1.8bn, significantly less than the 258 deals worth £5.3bn in the first six months of 1990 and 528 deals worth £11.7bn in the first six months of 1989.

The CSO noted that the cost of borrowing may still remain too high, given the expected earnings from an acquisition.

Acquisitions of UK companies by overseas corporations totalled 25 in the second quarter, totalling £1.6bn, well down on the levels of 1989 and 1990.

Holden profits tumble 64% on weak demand

By Kevin Brown

GENERAL Motors Holden's Automotive (Holden), the Australian subsidiary of General Motors of the US, yesterday blamed weak demand for a 64 per cent fall in net operating profit to A$53m (US$44.1m) last year.

Mr Bill Hamel, managing director, said sales had fallen A$400m to A$2bn, despite the company's success in maintaining the Commodore as Australia's most popular car.

"To have the number one selling car and see a profit drop of this scale is as good an indicator as you can get of the difficult economic circumstances under which the industry has been operating," he said.

Mr Hamel said he was optimistic that car sales would grow as the economy begins to recover towards the end of the year. "Business fleets in particular should begin to move in coming months as the cost of maintaining increasingly ageing car fleets begins to bite," he said.

Mr Hamel said Holden had operated close to full capacity utilisation in 1989-1990, when demand was strong and sales of the Commodore surpassed the company's original estimates.

"Unfortunately, *this past* financial year has witnessed a reversal in all three of these conditions," he said.

Mr Hamel said Holden's ability to make profits in the depressed market proved that the company's structure had positioned it to weather "even a severe economic environment".

However, he warned that the car industry faced a challenging period as it struggled to adapt to federal government plans to reduce protection from import competition.

"The reduced tariff framework set for the auto industry is such that we must significantly improve our productivity and international competitiveness," he said.

"However, business in this country cannot hope to achieve the required productivity gains without having the right [economic] climate for taking such investment decisions."

Holden's result is in line with poor results announced by three of the other four Australian car manufacturers, all of which are subsidiaries of US or Japanese groups.

Nissan made a record A$125m net loss on domestic Australian operations last year, while Ford lost A$82m. Mitsubishi's net profit was down from A$41m to A$13m. Toyota has not yet reported for the *latest period*, but is believed to have suffered a downturn in earnings.

Varity to appeal against US jury award of $46m

VARITY, the diversified automotive and farm equipment group which recently moved its head office from Canada to the US, said yesterday it would appeal a US jury award of nearly US$46m to 233 former employees in Des Moines, Iowa. The appeal process could take two years, writes Robert Gibbens in Montreal.

Former employees of Massey Combines won the award covering severance, retirement and health benefits which had been cut off when the subsidiary declared bankruptcy in 1988. Massey Combines was the US farm machinery arm of Massey-Ferguson, since renamed Varity.

The US$46m award included punitive damages of US$36m.

Varity, now based in Buffalo, New York state, was sued by its Canadian farm machinery employees in 1990 on a similar issue. This action was settled with a C$27m (US$23.8m) payment to more than 3,000 former employees and retirees.

PUBLIC WORKS LOAN BOARD RATES
Effective 25 Sept.1991

	Quota loans*		
Years	EIP†	A††	Maturity§
1			10⅛
Over 1 up to 2	10⅛	10⅛	10⅛
Over 2 up to 3	10⅛	10⅛	10⅛
Over 3 up to 4	10⅛	10⅛	10⅛
Over 4 up to 5	10⅛	10⅛	10⅛
Over 5 up to 6	10⅛	10⅛	10¼
Over 6 up to 7	10⅛	10⅛	10⅜
Over 7 up to 8	10⅛	10⅛	10⅜
Over 8 up to 9	10⅛	10¼	10½
Over 9 up to 10	10¼	10⅜	10½
Over 10 up to 15	10⅜	10½	10½
Over 15 up to 25	10½	10½	10½
Over 25	10½	10½	10½

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only

INTERNATIONAL CAPITAL MARKETS

Treasuries recover after data bring early losses

By Patrick Harverson in New York and Sara Webb in London

US bond prices yesterday morning recovered from early losses caused by stronger-than-expected durable goods orders to stand slightly firmer at mid-session as dealers prepared for the afternoon sale of five-year notes.

By midday, the benchmark 30-year Treasury issue was up $\frac{1}{16}$ at $102\frac{7}{32}$, yielding 7.878 per cent. The two-year note was also firmer, up $\frac{1}{32}$ at 100, to carry a yield of 6.108 per cent.

The news that durable goods orders in August fell 3.8 per cent led to some sporadic selling and profit-taking. Analysts had forecast a larger fall, and had also not expected July's initial 11.2 per cent rise in orders to be revised upwards to 11.7 per cent.

However, prices rallied as dealers set up their positions for the sale of $9.25bn of five-year notes, which was expected to attract good demand in the wake of Tuesday's successful two-year note auction.

Bond prices were also helped by news of further weakness in the housing market. The National Association of Realtors said yesterday that sales of existing single-family homes in the US fell 2.1 per cent in August.

■ IN London, the Liffe gilt future fell from its opening level of 96.09 to close at 96.01, while the benchmark $11\frac{3}{4}$ per cent gilt due 2003/07 fell to $114\frac{21}{32}$ from $114\frac{13}{16}$.

"The recent rally in gilts seems to have run out of steam" said one trader, adding that the most recent opinion polls – which put the opposition Labour party ahead of the Conservatives – have unsettled the market.

■ THE German government bond market received the sale of DM3.952bn of four-year Treasury notes favourably yesterday. Traders reported plenty of shortening trades out of long-dated bunds and switching out of notes of a similar maturity into the new paper.

The government accepted bids of 99.55 and above for the four-year Bundesschatzanweisungen, which have a 8.75 per cent coupon to yield 8.88 per cent. The Bundesbank kept DM2.044bn for market regulation. The market had not expected the issue to be particularly well received due to the inconvenient timing of the issue's coupon payments.

German government bonds ended the day unchanged as the Liffe bund futures contract opened at 85.31 and traded in a range of 85.29-85.44 before closing at 85.32.

News that the cost of living in the state of Hesse climbed 0.2 per cent in the month to mid-September to give a year-on-year 4.6 per cent increase came as a disappointment. Two other west German states reported year-on-year consumer price rises of below 4 per cent earlier in the week, raising hopes that inflation was beginning to fall.

Elsewhere, traders reported some interest in short-dated Danish government bonds, given that yield spreads over two-year French government paper is around 60 basis points.

In the Italian government bond market, investor worries about plans to cut Italy's increasing budget deficit pushed secondary bond prices lower.

■ JAPANESE government bonds traded in a narrow range, closing unchanged on the day as the market took a break from its strong rally.

Market sentiment is still bullish as the strength of the yen and of the Japanese economy have given rise to hopes of a cut in the Official Discount Rate soon. Although the Big Four securities houses – Nomura, Daiwa, Nikko and Yamaichi – have been suspended traders said the announcement amounted to little more than a "soft slap on the wrist" and would be unlikely to affect the market.

The yield on the benchmark No 129 government bond closed unchanged at 6 per cent on low volumes, while the December futures contract finished slightly lower in Tokyo at 99.44, down from 99.49.

THE BANK of England yesterday sold £1.5bn of long-dated UK government bonds at auction, but failed to attract the high level of interest seen at other gilt auctions this year.

The auction of $9\frac{1}{2}$ per cent Conversion stock due 2004 was oversubscribed only 1.93 times. By comparison, the April auction of £1.2bn of five-year gilts was oversubscribed 4.5 times, with particularly strong demand from foreign buyers.

Traders said that the bid-to-cover ratio – the degree to which the auction is oversubscribed – on yesterday's auction was disappointing.

The Bank said the average accepted price was $99\frac{11}{16}$, yielding 9.54 per cent. The lowest accepted bid was $99\frac{5}{8}$, yielding 9.56 per cent, while the highest accepted bid was $99\frac{3}{4}$, yielding 9.53 per cent. The Bank said that 46 per cent of the bids were allotted at the lowest price.

Following the auction the total size of the $9\frac{1}{2}$ per cent gilt due 2004 is £3bn. The issue is partly paid, with 35 per cent payable on tender, 35 per cent on October 28 and the balance on November 18.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	109.7180	-0.001	10.42	10.58	10.56
BELGIUM		9.000	06/01	99.0000	+0.250	9.15	9.17	9.35
CANADA *		9.750	12/01	103.2000	+0.175	9.25	9.46	9.71
DENMARK		9.000	11/00	99.4750	+0.125	9.08	9.12	9.29
FRANCE	BTAN	8.500	11/96	97.7547	+0.041	9.05	9.03	9.19
	OAT	9.500	01/01	103.9400	-0.020	8.84	8.88	9.01
GERMANY		8.750	08/01	102.1000	-0.020	8.43	8.41	8.50
ITALY		12.500	03/01	99.6000	-0.460	12.96	12.99	13.32
JAPAN	No 119	4.800	06/99	92.0282	-0.118	6.34	6.45	6.79
	No 129	6.400	03/00	102.1920	-0.144	6.01	6.13	6.45
NETHERLANDS		8.500	03/01	98.1200	-0.010	8.79	8.79	8.85
SPAIN		11.900	07/96	102.0000	-0.020	11.29	11.47	11.81
UK GILTS		10.000	11/96	101-12	-	9.65	9.63	10.02
		10.000	02/01	102-15	-04/32	9.59	9.54	9.96
		9.000	10/08	97-00	-10/32	9.36	9.29	9.73
US TREASURY *		7.875	08/01	102-05	-01/32	7.56	7.52	7.85
		8.125	08/21	102-25	-03/32	7.88	7.92	8.11

London closing. *denotes New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	$102\frac{3}{4}$	$103\frac{1}{4}$	$+\frac{1}{8}$	6.70
ALBERTA PROVINCE 9 3/8 95	600	$106\frac{1}{8}$	$106\frac{5}{8}$		7.50
AUSTRIA 8 1/2 00	400	$102\frac{1}{2}$	$102\frac{7}{8}$	$+\frac{1}{8}$	8.06
BANK OF TOKYO 8 3/8 96	100	$101\frac{3}{4}$	$102\frac{1}{4}$	$+\frac{1}{8}$	7.84
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BCE INC 9 5/8 93 C$	300	$100\frac{3}{4}$	$101\frac{1}{4}$	$+\frac{1}{8}$	9.12
BELL CANADA 10 5/8 99 C$	150	$103\frac{1}{4}$	$103\frac{3}{4}$	$+\frac{1}{8}$	9.97
BRITISH COLUMBIA 9 1/4 93 C$	150	$100\frac{1}{4}$	$100\frac{3}{4}$		8.98
EIB 10 1/8 98 C$	130	$101\frac{3}{4}$	$102\frac{1}{4}$	$+1\frac{1}{8}$	9.70
ELEC DE FRANCE 9 3/4 99 C$	275	$100\frac{1}{2}$	101	$+\frac{1}{8}$	9.65
[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price. † Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Deutsche in eastern venture capital move

By Katharine Campbell in Frankfurt

DEUTSCHE Bank is stepping up its involvement across the Elbe with a new venture capital company to purchase and restructure former state enterprises.

East German politicians, notably Saxony's premier, Mr Kurt Biedenkopf, have warned that the privatisation programme was resulting almost exclusively in struggling eastern companies being swallowed by large established western names.

They point to the dangers of an economy of subsidiaries which would lack the vigour of a more independent and varied industrial culture.

Germany's largest bank has teamed up with industrialist Mr Peter Jungen, formerly chief executive of Strabag, the big construction company, to run a new venture exploring an alternative approach to resuscitating portions of east German industry.

Mr Jungen, who resigned from Strabag in June, had spent four years attempting to restore Strabag's fortunes after large losses incurred by overseas projects, notably in Iraq.

Deutsche already owns 92.5 per cent of another venture capital operation, Deutsche Beteiligungsgesellschaft (DBG).

In contrast to DBG, which takes stakes limited to 49 per cent in small and medium-sized companies, including a sprinkling in the east, the new business will purchase 100 per cent of larger Treuhand enterprises, with the aim of restructuring them over a period of some years.

They would be reorganised with a view to a possible stock market listing, a partial management buyout, or purchase by a foreign company hitherto daunted by the initial turn around task.

Mr Jungen's background is likely to suggest a focus on the construction industry, with other sectors of interest, including engineering. He will work closely with the DBG team as well as hiring other industrialists.

The venture will initially be capitalised at DM100m. Deutsche says it plans to attract other institutional investors to enlarge the capital base at a later date.

Pirelli sells its holding in Milan broker

By Haig Simonian in Milan

A HALF share in Caboto, the Milan-based securities trading company controlled by Pirelli, has been sold to Banco Ambrosiano Veneto (Ambroveneto).

A price for the deal was not disclosed. However, Pirelli said Ambroveneto would buy into Caboto via a special rights issue, to be approved before the end of this year. At the same time, Banca Brignone, the small Turin-based Italian bank which owns 9.9 per cent of Caboto, would cease to be a shareholder.

Ambroveneto and Caboto will set up a joint venture Societa di Intermediazione Mobiliare (SIM), Italy's new form of stockbroking and fund management operation. Banca Brignone, in which Pirelli and Caboto themselves have a combined 5.2 per cent holding, will eventually also buy into the SIM.

Caboto, which employs around 60 staff, specialises in trading fixed income securities, and is an important participant in the screen-based "primary dealers" system for government bonds.

● Banco di Sardegna, the state-owned bank based in Sardinia, is set to become the 22nd member of the "primary dealers" market in Italian bonds from the beginning of next month.

The expansion follows the admission of Banca d'America e d'Italia (BAI), Deutsche Bank's Italian subsidiary, to the system as of September 15.

Technical problems had prevented the entry of new members following the admission of J. P. Morgan – the first foreign primary dealer – last year. However, capacity on the system, which is currently operated by Reuters but which will be handed over to an Italian group next year, has now been expanded.

CS Holding sees fall in second-half profits

THE SECOND-half consolidated net profit of Swiss financial group CS Holding, which owns the Crédit Suisse banking business, may not match the first half unless market conditions improve, Reuter reports from Zurich.

CS Holding said: "Second-half results could turn out lower than the first half if the market stays so lethargic".

EBRD Ecu500m debut offer sells out in hours

By Tracy Corrigan

THE European Bank for Reconstruction and Development's debut offering in the international capital markets yesterday was sold out within a couple of hours of its launch.

Dealers said they could have placed their allotments of bonds several times over.

INTERNATIONAL BONDS

Distribution of the Ecu500m deal was also extremely broad, with strong demand from the Far East and from European retail investors, as well as from the large European fund managers.

Given the relatively small size of the deal, compared with other benchmark issues, and the rarity value of the EBRD name, dealers said the paper could become quite tightly held.

The success of the deal, at a time when the Ecu market has been providing a less-than-sparkling performance, was largely attributed to the special interest aroused by the EBRD name.

The five-year deal was priced to yield 8.92 per cent, which was the same level as Belgium's Ecu1.25bn five-year bonds were trading in the secondary market. Spain's Ecu1bn issue of five-year bonds were trading at a slightly higher yield of 9.02 per cent.

Although the EBRD is a stronger credit than both these sovereign borrowers, dealers said the deal was sensibly priced, given the EBRD's priority of achieving a successful debut issue, combined with attractive financing costs.

Coinciding with the EBRD deal, one of its member-countries also tapped the bond market yesterday. Hungary, through the conduit of the National Bank of Hungary, launched a DM400m deal, increased from DM250m, via Dresdner Bank.

The deal met firm demand from German retail investors, who also bought South Africa's DM400m deal with some enthusiasm.

Although Hungary remains encumbered by one of the highest debt burdens in eastern Europe, its economic prospects appear to be improving. The deal was quoted at 98.82 bid, from an issue price of 100¼, comfortably within 2¼ point fees.

In the dollar sector, Kreditanstalt für Wiederaufbau, the German agency, followed up on the success of Belgium's 10-year dollar deal on Tuesday with a further $350m of 10-year bonds.

The KfW deal also met firm demand, as bullish sentiment on dollar bonds persists.

In the French domestic market, SNCF, the French national railway, launched a FF2.8bn domestic bond issue, with a FF1.3bn international tranche. SNCF is one of a group of French state borrowers trying to promote international trading of its domestic debt. Both the international and domestic portions of the deal were sold out.

Elsewhere, the World Bank launched its first deal in the Portuguese market, an Esc15bn five-year "Caravela" bond (a foreign bond in the Portuguese domestic market) via Banco Portugues Investimento.

It is the 14th such issue in the nascent Portuguese market for foreign borrowers.

The coupon level of 12 per cent is the lowest to date, reflecting dropping interest rates in Portugal, as inflation in that country falls and European economies start to converge.

The issue was quoted at less 1 bid, well within 1⅝ point fees, with distribution concentrated in Switzerland, Germany and Italy. The deal was swapped into floating rate D-marks.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Telebras(f)†	200	10	95.831	1996	(f)	Merrill Lynch
KfW Int.Finance(a)†	350	8⅛	99.70	2001	0.325/⅛	Deutsche Bk Cap.Mkts.
Aegon NV(a)†	100	7	101.0375	1994	1⅜/1.3	Nikko Secs.
Far East Textiles(b)§†	50	4	100	2006	-	Salomon Bros.
ECUs						
EBRD(a)†	500	8⅞	99.83	1996	¼/0.15	Morgan Stanley Int.
STERLING						
EIB(g)†	50	11½	105.34	1995	-	JP Morgan
D-MARKS						
Nat.Bk of Hungary(a)†	400	10¾	100½	1998	2¼/1⅜	Dresdner Bk
Yahagi Construction(a)♦	100	5⅞	100	1995	2¼/1½	Daiwa Europe GmbH
Suminoe Textile Co.(a)♦	100	5⅞	100	1995	2¼/1½	WestLB
ESCUDOS						
World Bank(c)†	15bn	12	101	1996	1⅝/1¼	Bco.Portugues Inv.
SWISS FRANCS						
Uni-Charm Corp(d)★★♦	100	5	100	1995	-	Credit Suisse
YEN						
Kubota Corp(a)†	30bn	6.9	101⅜	2000	2/1¼	Nikko Secs.
Alps Electric(e)†	30bn	(e)	(e)	(e)	(e)	Nomura Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Issue launched 23/9/91. Conversion premium fixed at 14.8%. c) Caravela issue. Non-callable. d) Callable 17/10/93 at 101% declining ½% annually. e) 3 issues launched; 1. Amount - Y10bn, coupon - 7%, issue price - 101½%, maturity - 1998, fees - 1⅞/1.7; 2. Y10bn, 7%, 101½, 1999, -1⅞/1.7; 3. Y10bn, 7%, 101⅝%, 2000, 2/1.8. Non-callable. f) Deal repaid in 7 equal semi-annual instalments from 16/10/93. Coupon payable semi-annually. Selling concession fee - 1½%. Average life - 3½%. g) Fungible with existing £75m deal. Non-callable.

France presses on with liberalisation

William Dawkins on plans which should help Paris recover business lost to London

NO sooner has the Paris equity market digested its own version of the Big Bang than a fresh round of reforms is getting under way.

Over the past three years, the government and the bourse authorities have broken up the old cartels, modernised the market's settlement and trading services, and overhauled its rule book.

The first steps to liberalisation began a decade ago, the trend accelerated under the former Gaullist government, and is now being carried on determinedly by Mr Pierre Bérégovoy, the socialist finance minister.

Ironically, one side-effect of all this has been a flow of business to London's less-regulated Seaq International, where about 30 per cent of Paris's main stocks are now traded, to the anxiety of local brokers.

Stock market professionals are putting pressure on the government, in a report published in July, to reduce restrictions on the block market for big investors, reduce taxes and improve incentives for private investors, in order to make Paris more competitive.

Local stockbroking firms were losing business to Seaq International even before the 1987 crash, say officials. Many of them have also had their profits painfully squeezed by a fall in commission rates, now at an average of 0.65 per cent, say bourse officials.

Several operators have been forced to trim their operations, so that the number employed by Paris stockbrokers fell to 5,000 from 6,500 in 1990 alone, according to a study by Price Waterhouse. There have been inevitable failures, the climax of which was last year's spectacular collapse of Tuffier et Associés.

The first step in the modernisation of the bourse began with the introduction of paperless ordering in 1984, followed two years later with continuous centralised trading on the so-called CAC system (Cotation Assistée en Continu), and the opening of the Matif futures and Monep options markets in 1987.

Stockbrokers' traditional monopoly began to crack in 1988, when for the first time banks were allowed to buy broking firms. Since then, all but four of the 58 member-firms have linked with an outside partner, and 13 are now majority foreign owned, according to bourse authorities.

Within the overall total, 12 are inactive, currently the subject of bidding by foreign firms on the lookout for a cheap way to get a stock exchange seat.

The same year also saw the establishment of the two operating bodies, the Société des Bourse Françaises (SBF) as market executive and the Conseil des Bourses de Valeurs (CBV) as regulator. The CBV works alongside the Commission des Operations de Bourse, which since 1967 has been the market watchdog, given independence and more power to impose sanctions in 1989.

Brokers were given the freedom to become market makers and trade on their own account for the first time in 1989, a badly needed new source of profit in view of the disappearance of fixed commissions in July that year. This was accompanied by the introduction in October of a limited block trading system, to allow professional investors to trade large blocks of shares off-market.

QUOTED COMPANIES	Dec 90	Dec 89
Paris market	922	957
French	686	719
Foreign	236	238
Provincial markets	257	269
Total		
Paris + provincial	1,179	1,226
Market capitalisation		
Equities only		
(FFr bn)	*1,768	
	1,679	2,117

*End July 91.
Source: Société des Bourses Françaises

A year later, the SBF opened the first stage of a FFr600m ($105m) electronic clearance and settlement system, Relit, for a small number of stocks on the over-the-counter market. Since then, Relit – said to be the envy of many foreign markets – has expanded and will cover the most actively traded shares from next month.

The final step in this first round of reforms comes next January when the stockbrokers' closed shop, founded by Napoleon, will finally end, leaving any institution free to apply for a stock exchange seat.

So what have these changes achieved? Relit has made settlements faster, reducing the average time to complete a settlement from 13 days before the system was set up to five. It is aiming for three, say CBV officials. In 1988, FFr15bn worth of deals took more than three months to settle, but no trades were that late last year, says the CBV.

At the same time, the lion's share of business has become increasingly concentrated on brokers lucky enough to have attracted a parent able to provide capital and back office support, or a big bank shareholder with a wide retail network.

Around half of market turnover now goes through the top five brokers, such as market leader Cholet Dupont, or Bacot Allain, owned by BNP and Warburg respectively, while foreign owned brokers probably account for 30 per cent of trading, estimate bourse officials. This leaves thin pickings for the rest, left to find a living as portfolio managers or specialists in a limited number of broking functions.

Specialisation will become easier from next January, when the CBV will for the first time start issuing separate licences for different stockbroking activities.

This means, for example, that a small firm could obtain a licence as a pure trader and sub-contract its clearing activities – the most capital intensive part of the business - to another broker, rather than having to do it in-house.

Segmentation is also being seen as a way of stopping a disaster in one part of the business from damaging clients' accounts, an important marketing advantage.

Already, several leading brokers have started to put different functions into financially watertight subsidiaries, to reassure customers following the collapse of Tuffier, under investigation for allegedly using clients' money to cover trading losses.

In encouraging segmentation, the CBV is acting on one of the main proposals in the professionals' report, prepared by a working party headed by Mr René de la Serre, managing director of Crédit Commercial de France, the privatised bank.

The report also calls for the abolition of turnover tax, between 0.15 per cent and 0.3 per cent depending on the size of the deal. This is seen as a disadvantage against London where turnover tax will be abolished when Taurus, the paperless trading system is introduced, and Frankfurt which abolished the tax in January.

This is a long-standing demand from French brokers and has so far evoked little enthusiasm from the financially hard-stretched finance ministry, which would lose around FFr2bn a year if it scrapped turnover tax.

However, Mr Bérégovoy's advisers are slightly more sympathetic to the other main demand in the de la Serre report, for a relaxation in restrictions on block trading between institutional investors.

Currently, this is only allowed on a matched bargain basis, in contrast to London's price driven system.

Finance Ministry officials say they share the desire of brokers to attract more big investors. But before taking action, they are awaiting the results of a more detailed study on block trading, due to be delivered by a CBV working group in mid-November.

Banks to encourage Ecu markets

By Richard Waters

THE Bank of France yesterday followed the Bank of England in proposing an improved mechanism for clearing payments in Ecus.

Both central banks said they were acting to encourage the development of private Ecu markets in their respective financial centres.

The Bank of France said any commercial bank which maintained an Ecu account with it could earmark some of the balance to guarantee loans between it and another bank. Seven of the 45 Ecu clearing banks are based in Paris.

The Bank of England this week proposed a similar arrangement for the 11 Ecu clearing banks in London.

It added a further refinement, allowing banks which need funds to settle their positions by borrowing overnight from the Bank.

The borrowing can be secured against the UK government's Ecu bills or against various forms of sterling public sector debt.

The Ecu clearing arrangements are operated by the Ecu Banking Association and the Bank for International Settlements.

The association is now looking at further ways to improve the Ecu clearing system, which handles around Ecu30bn a day.

US, UK sign fraud pact

By George Graham in Washington

SECURITIES market regulators from the US and the UK yesterday signed a new agreement to expand their co-operation in the fight against international securities fraud.

The pact enlarges on a 1986 agreement, by expanding the field of possible offences on which the Department of Trade and Industry and the Securities and Investments Board in the UK can co-operate with their counterparts at the US Securities and Exchange Commission and the Commodity Futures Trading Commission.

The US and UK regulators already exchange information on illegal market practices. The new agreement will also cover the disclosure of shareholdings and the conduct of tender offers.

Regulators can now also use compulsory powers to demand documents or subpoena witnesses on each other's behalf.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday September 25 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Sep 24 Index No.	Mon Sep 23 Index No.	Fri Sep 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (184)	851.80	+0.5	9.38	5.70	13.24	28.07	847.24	847.39	855.28	673.98
2 Building Materials (24)	1068.10	+0.1	7.66	5.83	16.73	33.99	1066.77	1067.17	1080.36	850.66
3 Contracting, Construction (31)	1158.36	.....	8.32	6.51	16.30	42.94	1159.04	1165.16	1170.72	1011.75
4 Electricals (11)	2634.63	+0.2	8.30	5.01	15.43	69.65	2630.54	2618.17	2653.97	1813.26
5 Electronics (25)	1774.16	+0.5	10.79	5.37	11.72	49.11	1764.82	1769.63	1776.69	1507.71
6 Engineering-Aerospace (8)	377.36	+0.9	16.38	6.65	7.37	14.36	374.17	374.19	377.43	410.10
7 Engineering-General (45)	495.51	+0.4	10.24	5.17	12.01	14.61	493.42	496.20	496.92	363.60
8 Metals and Metal Forming (8)	461.96	+1.4	14.18	7.65	8.56	17.48	455.74	452.33	457.32	388.81
9 Motors (12)	362.25	+0.6	8.24	6.65	15.49	14.36	360.14	363.38	364.77	268.49
10 Other Industrial Materials (20)	1608.25	+0.9	7.89	5.07	15.07	55.15	1594.10	1586.84	1610.28	1150.28
21 CONSUMER GROUP (187)	1550.91	+0.4	7.47	3.61	16.53	30.65	1544.12	1551.05	1559.75	1132.79
22 Brewers and Distillers (22)	1931.07	+0.4	8.02	3.49	15.18	34.88	1923.49	1937.62	1950.74	1385.19
25 Food Manufacturing (19)	1233.17	+0.7	9.31	4.04	13.26	26.32	1225.03	1224.73	1230.56	973.38
26 Food Retailing (17)	2540.42	+0.6	8.76	3.32	14.93	45.01	2524.83	2550.80	2552.32	2243.22
27 Health and Household (22)	3664.93	-0.1	5.52	2.58	20.78	58.20	3670.09	3697.35	3718.76	2326.73
29 Hotels and Leisure (23)	1344.70	+0.7	8.13	5.24	14.98	37.66	1335.34	1338.83	1357.47	1124.53
30 Media (26)	1550.77	+0.9	7.10	4.58	18.36	41.89	1536.96	1547.94	1565.67	0.00
31 Packaging, Paper & Printing (17)	763.14	+0.4	7.37	4.28	16.48	22.26	760.01	761.52	763.63	478.92
34 Stores (32)	998.72	+0.9	7.61	3.73	17.11	18.14	990.16	986.51	988.11	730.05
35 Textiles (9)	634.16	.....	7.26	4.90	17.47	15.16	634.36	631.91	632.52	393.21
40 OTHER GROUPS (109)	1295.46	+1.1	9.33	5.01	13.44	35.14	1281.58	1279.46	1287.70	936.98
41 Business Services (12)	1385.92	+0.3	7.86	4.77	15.75	30.08	1381.79	1384.11	1428.08	0.00
42 Chemicals (21)	1462.04	+1.2	6.92	4.94	17.84	47.20	1444.99	1439.16	1437.14	958.00
43 Conglomerates (10)	1551.77	+1.4	9.45	6.80	12.83	37.80	1529.78	1522.64	1537.51	1268.27
44 Transport (13)	2379.77	+0.3	7.17	4.78	17.28	66.14	2372.22	2351.76	2352.54	1763.71
45 Electricity (16)	1278.30	+0.9	13.81	5.09	9.29	27.53	1266.83	1273.16	1273.82	0.00
46 Telephone Networks(4)	1571.29	+1.7	9.54	3.86	13.72	28.34	1544.30	1546.65	1562.51	1017.41
47 Water(10)	2409.72	-1.0	16.97	6.39	6.52	118.37	2433.17	2456.52	2479.83	1949.91
48 Miscellaneous (23)	1890.81	+1.3	5.27	5.24	26.24	68.99	1866.93	1845.98	1852.14	1452.52
49 INDUSTRIAL GROUP (480)	1299.24	+0.7	8.44	4.47	14.72	32.07	1290.61	1292.76	1301.27	961.45
51 Oil & Gas (20)	2385.65	+0.9	10.95	5.82	12.07	92.84	2365.34	2369.65	2387.35	2348.62
59 500 SHARE INDEX (500)	1393.40	+0.7	8.75	4.63	14.34	36.86	1383.84	1386.16	1395.44	1074.11
61 FINANCIAL GROUP (92)	833.86	+0.6	-	5.61	-	29.98	828.62	826.97	832.08	631.46
62 Banks (9)	969.44	+1.4	4.39	5.50	42.67	36.83	956.17	949.72	960.02	657.43
65 Insurance (Life) (7)	1584.87	-0.6	-	5.34	-	60.57	1594.07	1602.99	1611.02	1251.93
66 Insurance (Composite) (6)	642.97	+0.4	-	6.83	-	28.25	640.17	638.43	641.34	538.09
67 Insurance (Brokers) (9)	1157.52	-0.7	7.04	5.85	18.58	41.27	1165.98	1165.11	1163.59	782.38
68 Merchant Banks (7)	477.95	-0.1	-	4.42	-	12.54	478.65	477.74	477.34	324.35
69 Property (36)	969.43	+0.5	5.74	4.81	24.52	22.40	964.96	967.11	969.23	852.63
70 Other Financial (18)	268.93	+0.6	10.81	6.83	11.63	9.28	267.46	269.36	269.17	235.59
71 Investment Trusts (69)	1255.50	+0.7	-	3.45	-	25.50	1246.88	1248.51	1247.84	968.25
99 ALL-SHARE INDEX (661)	1257.74	+0.7	-	4.73	-	34.68	1249.20	1250.68	1258.72	966.97

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 24	Sep 23	Sep 20	Sep 19	Sep 18	Year ago
FT-SE 100 SHARE INDEX♦	2597.8	+21.2	2598.0	2581.5	2576.6	2579.5	2600.3	2588.7	2583.6	2000.0

FIXED INTEREST

PRICE INDICES	Wed Sep 25	Day's change %	Tue Sep 24	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	122.49	+0.04	122.45	2.04	8.78
2 5-15 years (27)	135.50	-0.17	135.80	1.96	10.24
3 Over 15 years (9)	144.21	-0.35	144.72	1.01	10.60
4 Irredeemables (6)	161.33	-0.40	161.97	3.20	8.83
5 All stocks (70)	133.74	-0.12	133.95	1.93	9.88
Index-Linked					
6 Up to 5 years (2)	165.10	+0.07	164.98	0.40	2.72
7 Over 5 years (9)	148.38	+0.01	148.36	0.68	3.42
8 All stocks (11)	149.57	+0.02	149.53	0.64	3.40
9 Debs & Loans (58)	115.93	+0.15	115.75	2.32	7.90

AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 25	Tue Sep 24	Year ago (approx.)
British Government				
1 Low	5 years	8.57	8.62	11.11
2 Coupons	15 years	9.34	9.30	11.11
3 (0%-7¾%)	20 years	9.35	9.30	11.11
4 Medium	5 years	9.64	9.62	12.19
5 Coupons	15 years	9.48	9.44	11.64
6 (8%-10¾%)	20 years	9.44	9.39	11.47
7 High	5 years	9.83	9.82	12.28
8 Coupons	15 years	9.58	9.53	11.92
9 (11%-)	20 years	9.50	9.45	11.78
10 Irredeemables	†	9.55	9.51	11.14
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.89	3.90	4.63
12 Inflation rate 5%	Over 5 yrs.	4.23	4.23	4.36
13 Inflation rate 10%	Up to 5 yrs.	3.26	3.27	3.42
14 Inflation rate 10%	Over 5 yrs.	4.05	4.05	4.17
15 Debs &	5 years	11.08	11.12	14.24
16 Loans	15 years	10.90	10.92	12.99
17	25 years	10.74	10.76	12.69

♦Opening index 2584.4; 9 am 2588.0; 10 am 2583.1; 11 am 2584.3; Noon 2587.9; 1 pm 2589.2; 2 pm 2592.8; 2.30 pm 2594.9; 3 pm 2594.5; 3.10 pm 2595.6; (a) 4.27pm (b) 9.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	43	25
Corporations, Dominion and Foreign Bonds	0	6	14
Industrials	331	191	976
Financial and Properties	180	68	513
Oils	22	21	45
Plantations	1	1	8
Mines	43	10	102
Others	63	29	42
Totals	654	369	1,725

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	198	188	Adam & Harvey	195		W10.0	5.9	6.8	3.3
25	F.P.	-	42	29	‡Airbreak Leisure 5p	41		u1.75	1.8	5.7	10.6
†	F.P.	-	110	105	Capital Ventures 1p	110		-	-	-	-
4	F.P.	-	9½	4¼	Culver 1p	5		-	-	-	-
-	F.P.	-	23	18	Eng. & Scot. Wrnts.	18		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	290	+2	-	-	-	-
100	F.P.	-	111	105	Gartmore Scotland Inc.	111	+1	M11.6	-	13.9	-
100	F.P.	-	99	85	Do. Capital	98	+1	-	-	-	-
-	F.P.	-	£655	£605	Do. Units	£653	+3	-	-	-	-
146	F.P.	-	166	148	Irish Life Ir10p	165	+1	HQ102%	-	5.5	-
100	F.P.	-	108	101	Kleinwort High Inc. 5p	108	+1	M7.5	-	9.3	-
§290	F.P.	-	323	297	Lowndes Lambert 5p	321	+3	L11.5	1.9	4.8	15.0
50	F.P.	-	54	47	‡Simpsons of Cornhill 5p	48		-	-	-	14.9
1	F.P.	-	¾	½	‡Starelco 1p	½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100	F.P.	-	100	98½	Camborne Inds. 10½pc Rd. Deb. 2001	98½	
100	F.P.	-	90	77½	Claybithe 9½pc Cnv. Ln. 2000-01	79½	+2
100p	F.P.	-	111½p	104¼p	Gartmore Scotland Zero Div Prf.	111p	
100p	F.P.	-	109½p	102½p	Kleinwort High Income Zero Div Prf.	109¼p	+¼
-	F.P.	-	96	96	Land Securities 10pc 1st Mtg Deb 2027	96	
100p	F.P.	-	104p	102½p	Nat. West Bank 9pc Prf Series A	103p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
285	Nil	-	76pm	53pm	British Polythene	74pm	
220	Nil	-	49pm	29pm	Ladbroke 10p	35pm	+4½
435	Nil	-	102pm	54pm	P & O Defd. £1	66pm	-2
-	NR	-	13pm	12pm	Record Hldgs. 5p	12pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium

TRADITIONAL OPTIONS

- First Dealings Sept. 23
- Last Dealings Oct. 4
- Last Declarations Dec. 23
- For settlement Jan. 6

For rate indications see end of London Share Service

Calls: Amstrad, ASDA, Aviva, Salvesen (Christian), MAI, P & P. Puts: Christie Intl., McCarthy & Stone, Speyhawk.

LONDON TRADED OPTIONS

Option	Calls			Puts		
[illegible]						

UK COMPANY NEWS

Hogg advances to £8.3m despite soft insurance rates

By Richard Lapper

IN SPITE OF soft insurance rates and falling interest rates, Hogg Group, the international insurance broking company, yesterday reported a 14 per cent increase in pre-tax profits to £8.26m in the six months to June 30.

Earnings per share rose 8 per cent to 7.52p (6.96p). The interim dividend is increased by 5 per cent to 3.15p (3p).

Profits from the core broking business rose by 16 per cent to £8.15m (£7.04m), after deduction of all interest charges and central costs.

Turnover rose to £55.9m (£47.8m) and expenses to £51.7m (£44.4m). Investment income fell marginally to *£3.56m (£3.58m).*

Successful hedging helped Hogg reduce the impact of the decline in the dollar – the group traded at an average rate of $1.69 to the £1 and incurred a loss of just £100,000 on exchange rate movements.

Excluding this loss and the adverse impact of recent acquisitions, brokerage income grew at an underlying rate of 9 per cent and expenses by 1 per cent.

The group generates about 70 per cent of its brokerage income from lower margin retail business and the remainder from higher margin but more volatile wholesale trading.

Brokerage income grew by 14 per cent in the UK – where *the group claims that it is win*ning new business and retains a large quantity of existing business.

This was offset by a flat performance in the US – where insurance rates remain soft.

Over the past 12 months *Hogg has acquired IIB Insur*ance Brokers of Australia, two small US brokers – one in Texas, the other in Philadelphia – and in the UK, the Bristol-based WJ Shore.

In addition the group has purchased the outstanding minority shareholdings in two reinsurance brokers.

£15m cash call by Domino Printing

By Michiyo Nakamoto

DOMINO PRINTING Sciences, a leading manufacturer and distributor of industrial ink jet printers, is raising about £15.3m net through a 1-for-4 rights issue.

News of the issue of 5.08m shares at 310p each triggered a 12p rise in the shares to 398p.

The group, which yesterday forecast record sales and profitsin the year to October 31, plans to use the proceeds for *further expansion in its core* ink jet operations and related areas.

Full-year pre-tax profits are expected to be at least £8.8m, an increase of 44 per cent. The board plans to raise the final dividend by 20 per cent to 4.15p (3.45p), following a 30 *per cent increase* in the final dividend last year.

Trading has been buoyant this year for the group, which is a market leader in Europe. It has seen growth of 29 per cent in Europe, 40 per cent in the Far East and 19 per cent in the US.

However, Mr Howard Whitesmith, managing director, said institutional investors had expressed concern about the *risks of the group being a sin*gle-technology business.

The jet ink business was 10 years-old and in time supply would begin to outgrow demand, Mr Whitehead pointed out. All five competitors had put in extra capacity this year.

Domino plans to invest further in its core ink jet technology to increase market share.

It intends to strengthen its world-wide distribution network. As new markets for ink jet technology develop, particularly in eastern Europe, the Middle and Far East, there was an increasing need for direct support for distributors, the group said.

The group will also move into related business areas, such as machines and inks, which tend to involve high levels of goodwill since they are technology-based businesses. Development of new businesses will require additional working capital.

It has net borrowings of £1m, but expects to become *cash positive in five weeks.*

Porter Chadburn seeks £20m to fund purchases

By Peggy Hollinger

PORTER CHADBURN, the leisure, packaging and sporting goods group which markets Head and Gola products, yesterday launched a £20m cash call, announced a further acquisition in the US, and appointed a chief executive to head its growing consumer products division.

The rights issue is priced at 65p on the basis of 1-for-2 ordinary shares and 4-for-5 convertible preference shares. The shares closed at 83p, a fall of 6p on the day.

Mr Raymond Dinkin, chairman and chief executive, said the cash call would position the group for further acquisitions. "We believe there are better values and opportunities now than there will be in six to nine months time," he said.

Ipop, the latest acquisition, was a high margin specialist labelling business based in Connecticut. It was "a hell of a good buy" at $3.5m (£2m) initially, and maximum deferred payment of $2.5m. In the year to July 31 its profits before interest and tax were $944,000 on turnover of $5.3m.

Proceeds from the issue would go towards paying for Ipop and two other recent acquisitions: Adam Leisure, a nursery products and electronic games group which cost £500,000, and Jones Custom Products, a Texas based self-adhesive label manufacturer, for which *Porter paid $1.3m.*

These three companies would boost turnover of the consumer products division, which represented 43 per cent of sales last year. Mr John Jagger, former chairman of Peter Dominic, Grand Metropolitan's off-licence chain, has been appointed to the newly-created post of chief executive of that division.

Mr Dinkin said the issue would eliminate debt of about £16m, leaving £4m for further expansion. He expected to make further purchases – probably in the packaging business – in the short to medium term.

"It is quite an aggressive issue," said Mr Paul Baines of underwriters Charterhouse Bank, "but Porter Chadburn will be well-placed to buy other companies in a depressed sector."

Analysts have forecast pre-tax profits for the year to March 30, excluding the recent acquisitions, at £7.1m compared to £7.2m last year.

Mr Dinkin said that if nothing was done with the proceeds, earnings would be diluted by between 4 and 5 per cent. "However, our intention would be to minimise the possibility of dilution."

Johnston Press improves 11% to £3.9m

By Michiyo Nakamoto

SUBSTANTIAL COST savings helped Johnston Press, the Edinburgh-based publisher and printer, avoid the full impact of the spreading recession and report an 11 per cent rise in *pre-tax profits from £3.48m to* £3.88m in the six months to June 30.

The shares rose 14p to 285p on the news.

Mr Fred Johnston, chairman, warned, however, that market conditions remained difficult. "The results for the half-year clearly reflect cost savings and good housekeeping rather than any buoyancy in the marketplace," he said.

The increase in profits came on lower turnover of £31.3m (£31.7m) and a fall in the interest charge to £42,000 (£222,000) due to a sustained improvement in liquidity.

The results for the group, which publishes 56 newspapers across the UK, reflect the resilient performance of the group's newspaper publishing activities in Scotland, where the effects of recession were later in coming.

The sharp fall in advertising that was seen throughout the UK last year had a particularly marked effect on the West Sussex County Times. Nevertheless, profits remained satisfactory, the company said. West Yorkshire also held up well but the performance in Derbyshire was less satisfactory.

The performance from the bookbinding and library bookselling business was mixed. Considerable operating efficiencies raised profitability at Riley Dunn & Wilson's Falkirk operations.

On the other hand, a re-allocation of work and a changed order mix put pressure on the business at Huddersfield, which saw a decline.

Printing and typesetting, however, bore the full brunt of the recession and further economies were being implemented to stem the decline.

Johnston is also withdrawing from specialised typesetting and has sold CTL Computer Typesetters.

Earnings per 10p share rose to 9.4p (8.5p) and the interim dividend is increased to 2p (1.75p).

TVS share issue meets with lukewarm response

By Michiyo Nakamoto

TVS Entertainment, the ITV company for the south of England, received a lukewarm response from shareholders in its issue of new ordinary shares, which closed on Friday.

Just over 1 per cent, or 124,120 of the 11.66m shares being offered at 56p apiece, was taken up.

The shares were unchanged yesterday at 29p.

The offer was made together with a £30m placing of 53.57m new and existing ordinary shares to a group of investors including Home Box Office, Daily Mail and General Trust, Canal Plus and the Générale des Eaux.

The placing and offer were made to inject much needed capital into the financially stretched TVS, which made a £54.1m bid to retain its independent television licence for the south-east of England, after reporting an £8.3m loss in 1990.

Enterprise Computer dives into £5m losses

ENTERPRISE Computer Holdings, formerly Systems Reliability, yesterday reported a turnround from pre-tax profits of £5.01m to losses of £4.78m for the first half of 1991.

The fall was exacerbated by an exceptional charge of £2m, representing provisions in the largest division, mainframe services.

There was also a pre-tax loss of £1.09m (profit £1.73m) from the communications and maintenance divisions, which were sold to the management in June, creating an extraordinary gain of £3.01m.

Despite these provisos, mainframe services swung from profits of £2.33m to losses of £2.1m before the exceptional: in the full 1990 year its profits grew from £3.7m to £5.26m.

However, Mr Robert Evans, chairman, said that turnover in the division had risen by 23 per cent, showing that it was becoming a "world player" in the IBM mainframe market.

He blamed the division's punctured profitability on the swift decline in the fortunes of the leasing companies. The decline had been anticipated, prompting the move to direct selling to end-users, but its speed had surprised the board.

Mr Evans also blamed Enterprise's transition from wholesaler to retailer, which had been completed successfully in the UK and the US, but had "not been as smooth in Germany and France," the largest mainframe markets in Europe.

Group sales fell to £90m (£95.3m), with £73.5m (£61.1m) from continuing activities. These contributed pre-tax losses of £3.68m (profits £2.38m).

Losses per share worked through at 6.59p (earnings 6.25p). The interim dividend is reduced to 0.25p (1p).

New chairman appointed at Howden

Howden Group, the engineering company locked in a legal battle over payments on a Danish tunnelling contract, has announced the appointment of Mr John Jackson as chairman, writes Peggy Hollinger.

Mr Jackson, who also chairs Cambridge Electronic Industries, the computer group, will replace Mr Johnny Johnsen, who will retain his position as chief executive. Mr Johnsen also becomes deputy chairman.

The new chairman came to Howden's board as a non-executive director in July, when the group launched a 1-for-1 rights issue to raise £30.6m.

Howden had been struggling with a £76m debt due partly to its obligations to supply tunnelling machines for a project linking east and west Denmark.

Last year Howden profits fell sharply to £3m (£22m).

Cornwall Parker cut by 8%

By Michiyo Nakamoto

THE SHARP deterioration in the housing market depressed Cornwell Parker in the year to July 31.

The furniture and fabrics group reported an 8 per cent fall in pre-tax profits from £8.71m to £8.05m.

However, the results, which were at the upper end of City forecasts, triggered a 10p rise in the share price to 255p.

The continuing appeal of its branded furniture in the recession helped limit the decline. The group said demand for new ranges was particularly buoyant and the contribution to trading profit from the furniture business increased to £5.65m (£4.59m) on turnover up to £58.2m (£56m).

This compared with a sales fall of between 6 and 10 per cent in the furniture industry overall.

Mr Martin Jourdan, chief executive, said the group's target audience of those over 45 tended to buy branded products as a kind of "insurance" against damage. Furthermore, branded products tend to do well in a recession when people are more conservative in their buying habits.

Fabrics, on the other hand, suffered from the mortgage crisis. The contribution from this source fell to £2.94m (£4.85m) on turnover down to £34.6m (£36.4m).

Combined turnover rose moderately to £92.8m (£92.4m). Earnings per share slipped to 13.2p (15.1p) but the dividend is maintained at 3.9p.

An extraordinary cost of £2.03m included a trading loss of £302,000 from the disposal of County Kitchens, the loss-making kitchen furniture division that was sold to management earlier this year.

The group is not planning for any improvements in the first half of the current year, but expects to see growth resume in 1992.

In the meantime, it has tightened controls on working capital by "stripping out all the excess," Mr Jourdan said. Stock levels had been improved and just-in-time methods had been introduced.

The group has made capital investments in order to beprepared for the upturn. It is looking to the US, the Netherlands and Scandinavia as likely growth areas.

Lower dairy volumes hit Clifford Foods

Clifford Foods, the dairy products, fruit juices and chilled foods group, yesterday reported a 5 per cent fall in pre-tax profits for the six months to June 30.

It blamed the fall, from £2.7m to £2.5m, on lower dairy product volumes and poor performances by Roy's Quality Foods and Morton Foods. It had responded by launching new products through multiple retailers.

Turnover fell from £72.6m to £70.3m, partly because of lower juice and dairy products sales and partly from the group's decision to sell milk to the franchisee rather than direct to the consumer.

The interim dividend is increased to 4.4p (4p), payable from earnings down to 10.23p (10.51p) per share.

COMPANY NEWS IN BRIEF

AIRTOURS susbsidiary Airtours International Aviation, which commenced operation earlier this year, has entered into agreements for the lease of three new McDonnell Douglas MD83 aircraft to add to the five already operating in the fleet. The opportunity to add to the fleet arises from the success of its tour operation.

ARAN ENERGY has completed a new onshore gas condensate discovery well in Louisiana, USA. Aran has a 32 per cent working interest; its net *reserves attributable to the dis*covery are estimated to exceed 2bn cubic feet of gas and 85,000 barrels of condensate.

BURMAH CASTROL has agreed to acquire J&J Dyson's alumina graphite business for £2m.

CPU COMPUTERS: Omnilogic *International, a wholly-owned* subsidiary of SCOA, the French holding company, is offering 19½p per share for minority shareholdings in the group. SCOA already controls 97.95 per cent of the equity.

KLEEN-E-ZE Holdings: Rights *issue has received acceptances* for 5.91m new ordinary shares (78.2 per cent).

NAVAN RESOURCES recent rights issue was taken up by 82 per cent. Following shareholders now own 5 per cent or more of the capital: Bachman Nominees 18.6 per cent; Fidelcommissaires (Nominees) 13.3 per cent; Guernroy 16.8 per cent; Davy Nominees 8.5 per cent; Sigma Neuchatel 10.3 per cent; Montoire 8.3 per cent.

OSSORY ESTATES has sold three investment properties for £5.2m.

PERKINS FOODS has acquired G&K Potato Tiefkuhlprodukte from a subsidiary of Hillsdown Holdings for a total consideration of DM3.7m cash (£1.27m).

REXMORE has sold its 20 per cent shareholding in Rosebys to Cattle's (Holdings) for about £2.84m cash.

UK COMPANY NEWS

Administrators may soon see Polly's Cypriot records

By Andrew Foster in Hong Kong, John Murray Brown in Istanbul and David Barchard in London

AFTER MONTHS of effort, the administrators of Polly Peck International, the collapsed fruit and electronics group, may finally be poised to gain access to the company's records in northern Cyprus.

If confirmed, this is one of the most important developments in the company's troubled history since it went into administration last November. The northern Cyprus records are believed to be the key to Polly Peck's operations and its exact financial position.

Access to them has been blocked by a series of court injunctions in northern Cyprus since November last year.

Mr Menteş Aziz, a lawyer and businessman close to Mr Asil Nadir, Polly Peck chairman, *said yesterday he had* sought a partial lifting on Tuesday of three injunctions taken out in Cyprus courts in January preventing the access to Sunzest Trading, Polly Peck's citrus exporter, and Unipac, the Famagusta packaging business.

Mr Menteş's move follows a visit to Turkey on Tuesday by Mr Richard Stone of Coopers & Lybrand Deloitte, one of the three UK court-appointed administrators.

Mr Menteş said yesterday that, under the terms of the lifting order, the administrators must retain all the Cypriot directors of the subsidiaries in place for as long as Polly Peck's administration order remains in force.

The injunctions followed the administrators' decision to remove Mr Menteş and Mr Fahri Tunalier, another director, from the board of Voyager UK, a trust on the Isle of Man through which Polly Peck owns its Cyprus operations.

Meanwhile in Hong Kong, two companies linked to Mr Stanley Ho, the Macau casino tycoon, are today expected to announce they are taking a 32 per cent stake in Sansui Group, Polly Peck's loss-making Tokyo-listed electronics *subsidiary, in return for injecting* fresh loans.

If the deal is approved by the Japanese, Mr Ho's Grande Holdings, which has stakes in a number of small manufacturing companies, will form a joint venture with Semi Tech, owner of the Singer sewing machine brand name, to take the Sansui stake.

The joint venture company has options to increase its stake at a later stage.

The stake fits well with both companies' business and allows them into the Japanese market. It also gives them access to Sansui's research capability for its medium- to high-range audio products.

Grande Holdings was formed last year following its takeover of a loss-making computer company. Since then the company has grown quickly, taking control of a Hong Kong-listed consumer electronics company and making a number of other investments, including a 13.6 per cent stake in Betacom of the UK.

In the six months to end-June, Grande recorded net profits of HK$52.5m (£3.9m), an increase of 82 per cent, from turnover of HK$343.6m.

In a separate development, Albert Fisher Holdings, the *German subsidiary of Albert* Fisher Group, the international fruit trader, is to purchase Fruco, Polly Peck's fresh fruit import, packaging and distribution operation, from Willy Bruns, the company's original owner.

The 1989 sale of Fruco to Polly Peck has been rescinded. The deal is believed to be worth about DM36m (£12.3m).

Mr Nadir is due to appear at Bow Street magistrates' court again today on 18 charges of theft and false accounting.

Further decline to £210,000 at Dencora

By Peter Franklin

IN A half-year which continued to reflect difficult conditions in the housing and commercial property markets, Dencora, the East Anglian-based property group, reported a further sharp fall in profits.

Mr John Bushell, chairman, said that although rental income in the six months to June 30 rose to £4.05m against £3.27m, the benefit had been more than eliminated by a reduction of trading income from £14.2m to £5.94m.

There were no sales of commercial property in the period, reflecting the decision not to sell at depressed prices.

Conditions remained difficult for the housebuilding subsidiaries, and house prices continued to weaken as the Gulf war and rising unemployment added to the lack of confidence caused by high interest rates, Mr Bushell said.

At the operating level profits fell by £1.2m to £2.87m. Net interest payable increased to £2.66m (£2.56m) on borrowings up from £71m to £76m. Pre-tax profits tumbled from £1.51m to £210,000.

Losses per share were 0.3p (4.6p earnings). There is no interim dividend.

Boddington counts cost of Devenish bid

By Philip Rawstorne

BODDINGTON GROUP'S unsuccessful £127m bid earlier this year for JA Devenish, the west country pub retailer, cost £3.27m and contributed to a retained loss of £4.35m for the half year to June 29.

The takeover battle contributed to a rise in debt from £46.5m to £76.9m – gearing of 34 per cent – and interest charges almost doubled from £1.2m to £2.33m.

Boddington has since raised its stake in Devenish to 20.4 per cent – "increasing the options open to us in the future," said Mr Hubert Reid, managing director. There had been no contact with Devenish since the failed bid, he added.

Apart from the underwriting costs of the bid, the results were also hit by a further extraordinary charge of £4.19m against the cost of withdrawal from the London restaurant operations, Bentley's and MacArthurs. The restaurants incurred a trading loss of £800,000 as business suffered because of the recession and a decline in tourism.

Pre-tax profits fell 12 per cent to £7.52m (£8.57m) though turnover on continuing activities was 22 per cent higher at £76.1m (£62.2m) and trading profit increased by 6 per cent to £10.1m (£9.5m).

Basic earnings per share fell to 5.5p (6.2p) but the interim dividend is raised to 2.35p (2.15p).

Turnover of the group's 490 pubs increased nearly 9 per cent to £35.8m (£32.9m) and although beer volumes fell by more than 5 per cent, trading profit was 4.5 per cent higher at £8.5m (£8.1m). Capital spending on the refurbishment of 69 pubs amounted to £12m.

Worsening trading conditions, particularly in June, reduced the profits of hotels and restaurants outside London by 25 per cent, from £1.2m to £900,000.

Liquid Assets, the drinks wholesaling division, trebled trading profit to £500,000. Further acquisitions have since raised the division's turnover, on an annualised basis, to more than £100m.

The health care division showed a marked improvement, with turnover 20 per cent higher at £4.8m (£4m) and profits increasing 71 per cent from £600,000 to £1m as occupancy rates in the group's homes for the elderly rose to about 80 per cent.

● **COMMENT**

City opinion is divided about the prospect of Boddington making a second bid for Devenish next year; but the cost of this year's defeat seems to have been a chastening experience. In hindsight, the £3.27m that has gone in underwriting costs would have bought a good package of profitable pubs, whereas the group now re-enters the market for pubs with a considerably heavier debt burden. The acquisition of two drinks wholesalers since the summer has raised current debt levels to about £88m. That expansion should begin to pay off in the second half, and with the pub retailing and health care operations apparently standing up reasonably well in poor trading conditions, analysts are forecasting full year pre-tax profits of £18.1m to £19.5m against last year's £20.1m.

SAC merger helps Ricardo advance to £4.7m

By Andrew Baxter

RICARDO International, the Bristol-based engineering design consultancy, yesterday announced pre-tax profits of £4.65m for the year to June 30 and said it was "extremely well placed" to withstand the remainder of the recession.

The results reflected the first full-year contribution from SAC International, another engineering consultancy, compared with a 3¼-month contribution in 1989-90. Profits that year were £3.83m.

The merger of the two companies in the spring of 1990 created the largest publicly-quoted UK engineering design company, and boosted Ricardo's turnover from £33m in 1989-90 to £69.5m in the year just ended.

The results vindicate the rationale for the merger – a broad-based approach to reduce the effects of a downturn in any single industrial market. Yesterday, Mr Roger Smedley, chairman, said this strategy would continue with further expansion into new geographic markets and businesses.

Earnings per share declined from 13.9p to 9.9p, reflecting both the difficult trading conditions faced by the enlarged group and the fact that shares in issue have more than doubled. The final dividend is held at 3.8p, giving an unchanged total for the year of 5.7p.

Mr Smedley said that despite the recession and pressure on margins, all businesses performed well in the circumstances.

Cheap and cheerful style rewards T&S

By John Thornhill

T&S STORES, the confectionery, tobacco and newsagents chain, benefited from its cheap and cheerful trading style in the face of the recessionary retailing climate to achieve a 13.5 per cent improvement in interim profits.

In the 26 weeks to June 29 taxable profits rose from £6.24m to £7.1m, on sales 11 per cent higher at £152.1m (£137.5m).

Mr Kevin Threlfall, chairman, was delighted by the performance against the background of the most difficult trading conditions for many years.

T&S added 28 stores in the first half and was continuing to open outlets at a rate of one a week. It currently traded from 563 locations. However, it also closed 10 smaller shops realising a profit of £623,000.

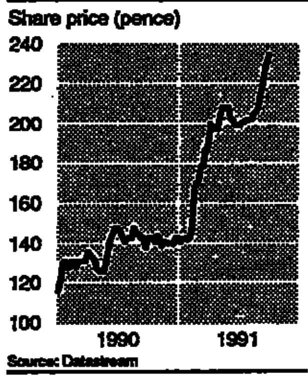
The group's Supercigs discount tobacco chain was hit by the rise of cigarette prices following the April budget. This depressed sales and ate into margins as the chain held back the full cost increases in order to preserve its competitive position.

The Dillons chain of newsagents and convenience stores continued to expand strongly.

Following the acquisition of 22 JCR outlets in February, T&S now runs 75 convenience stores and has targeted the sector as a priority for growth and further acquisitions.

T & S Stores

Share price (pence)



Source: Datastream

The company enhanced its distribution network through expanding its warehouse at Brownhills in the West Midlands.

About 75 per cent of stores currently received their confectionery and tobacco orders from this central source. It was planned that all of them would be included by the end of next year.

The interim dividend is lifted from 2p to 2.25p. Earnings per share rose from 6.53p to 7.57p.

New board takes action at Holmes Protection

By Jane Fuller

AFTER A resounding victory over the incumbent management at Holmes Protection Group, the US-based security company which is listed in London, the new directors made their first sacking and their first appointments yesterday.

A special general meeting in London voted by nearly six to one to elect Sir Ian MacGregor, former head of British Steel and British Coal, as a director. Other Investor Group nominees, including Mr Eric Kohn, instigator of the dissident grouping, were elected with majorities of more than three to one.

The incumbent management's restructuring proposals were rejected by a similar weighting.

At its first meeting yesterday, the new board sacked Mr John Flack, chief executive since 1989. He is entitled to compensation of $540,000 (£311,000) in instalments of $30,000 over the next 18 months.

Sir Ian was elected non-executive chairman in his absence as he was on a train to York. He replaces Mr Tom Mayer, who was brought in a year ago. But at least one of the institutions that backed him then, voted against his recommendations at the special meeting. Both Mr Mayer and Mr Peter Jones stay on the board, although they are not on any of the committees set up by the new leaders.

Mr Jones said yesterday: "We feel a moral obligation to stay."

Mr Kohn, who has become chief executive and deputy chairman, said the new board's priorities were to "deal with the defaulted loan" – $66m is owed to US lenders – and "to deal with the operations so that people get into the mode of this company no longer being on death row."

Other appointments were Mr Keith Anderson as chief financial officer and Mr Richard Hickson as chief operating officer. Mr Kohn said that the two men they had replaced, Mr John Slattery and Mr Frank Quidort, had not left the company.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baltic ....int	1.83	Oct 31	1.83	-	4.13
Boddington ....int	2.35†	Nov 8	2.15	-	6
BSG Intl ....int	0.7☆	Dec 31	0.7	-	3.2
Clifford Foods ....int	4.4	Nov 8	4	-	11
Cornwell Parker ....fin	3.9	Nov 2	3.9	5.5	5.5
Dagenham Motors ....int	1.75	Nov 18	1.75	-	5.75
Enterprise Comp ....int	0.25†	Nov 14	1	-	2.5
Fired Earth ....int	1.625	Nov 29	1.625	-	4.025
Geest ....int	3.6	Dec 27	3.25	-	7
Gent (SR) ....fin	0.75	Nov 25	1.75	2	3
Hogg Group ....int	3.15†	Dec 2	3	-	8
Johnston Press ....int	2	Nov 15	1.75	-	5
Jove Inv Tst ....int	2.7	Nov 29	3.45	-	7.65
Lep ....int	nil	-	2	-	7
Ricardo Intl ....fin	3.8†	Nov 29	3.8	5.7	5.7
Spirax-Sarco ....int	2.7☆	Dec 2	2.7	-	8.7
Thorpe (FW) ....fin	1.45	Nov 22	1.25*	2.15	1.87*
T&S Stores ....int	2.25	Nov 29	2	-	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ☆Carries scrip option.

UK COMPANY NEWS

Efficiency gains give lift to Geest

By Roland Rudd

GEEST, the fresh produce and prepared foods group, reported a 7 per cent increase in taxable profits for the six months to June 29 on the back of improved efficiency in its fresh produce business.

Pre-tax profits at the Spalding-based group rose from £14.1m to £15.1m. Turnover increased to £324.1m (£303.7m). The shares rose by 15p to close at 353p.

Trading profit from the key fresh produce business – Geest imports about 60 per cent of the bananas sold in the UK – rose to £11.3m (£10.9m).

As banana production in the Windward Islands was curtailed by unusually dry and windy weather, the group said it had made good progress in establishing a Central American operation based in Miami and Costa Rica to provide secure sources of the region's relatively cheap bananas.

The total cost will be about $42m (£24.7m). The group has net cash of £20m.

Trading profit from the food preparation business increased from £2.24m to £3.23m. Mr David Sugden, chief executive, said: "We have now returned to sensible margins of around 5 per cent.

In July the joint venture company, established last year with Pomona, completed the purchase of the controlling interest in Bargosa in Spain. The group is building a ripening centre in Barcelona, which Mr Sugden said would give the Spanish consumer their "first ever decent banana".

The interim dividend is increased to 3.6p (3.25p). Earnings per share improved from 13.7p to 15.1p.

● **COMMENT**

Geest has impressed the market by seeking to address possible fundamental changes in the structure of the European banana market in the run-up to 1992. By seeking sources of cheap fruit and expanding its distribution network the group is in a good position to continue its impressive profit increase in fresh produce. Concentration on margins in the food preparation division, which has already started to pay off with margins of about 5 per cent, should continue to produce better results. The net cash position is expected to be reduced over the next few years, but not sufficiently for the group to feel compelled to tap shareholders for funds. With expected full year taxable profits of about £27m the shares are trading on a prospective multiple of 13.3.

NEWS DIGEST

FW Thorpe switches on 17% gain

IN SPITE of disappointing overseas results and costs of a joint venture, FW Thorpe lifted turnover 16 per cent and pre-tax profit 17 per cent in the year to June 30.

Mr Michael Lippold, chairman of this manufacturer of industrial and commercial lighting equipment, said at present the order input was ahead of 1990, but that it was difficult to forecast the group's growth rate in the short term.

Turnover came to £13.3m (£11.5m) with the home contribution rising 22 per cent. The Gulf crisis and recession in Australia led to a 14 per cent drop in exports.

Pre-tax profit was £1.6m (£1.4m), after taking account of £122,000 costs of setting up the joint venture company Axis Lighting and reduced investment income of £218,000 (£255,000).

Earnings per share came to 8.2p (7.3p). The final dividend is 1.45p for a total of 2.15p, compared with 1.87p, adjusted for scrip issue.

Cambridge Isotope shows recovery

Taxable profits at Cambridge Isotope Laboratories recovered in the six months to May 31 from $220,000 to $344,000 (£204,000). In the second half of the previous year the USM-quoted Massachusetts-based company fell into losses.

Turnover of $3.86m ($3.53m) included the first sales of Carbon-13 from its new separation plant. Earnings per share came out higher at 1.6 cents (0.85 cents).

Mr Joel Bradley, president and chief executive officer, said that negotiations were continuing to buy MSD Isotopes, a long-term competitor, although the letter of intent to purchase had expired.

Oceonics falls back from halfway result

The benefits of cost cutting measures and the elimination of losses from discontinued businesses helped Oceonics Group, the offshore services and communications technology company, to raise operating profits from £1.49m to £1.8m in the year to the end of March.

However, after exceptional items of £319,000 and interest payable of £544,000 taxable profits came out at £938,000, a turnround from previous losses of £1.89m but less than the taxable figure of £1.15m at the half-way stage.

Turnover amounted to £20.5m (£30.7m). The shortfall reflected the disposal of the group's non-marine activities and the absence of large construction contracts in the North Sea.

Earnings per share of 0.4p compared with losses of 2.7p last time.

In February three board members resigned, including the chairman and his deputy, in the wake of a significant restructuring intended to focus on core activities.

Alliance Resources loss cut to $219,000

Alliance Resources, the oil and gas exploration and production company, reported pre-tax losses for the year to end-April down from $413,000 to $219,000 (£130,000) after an exceptional charge of $322,000 relating to officers' and directors' compensation.

Higher production resulted in turnover rising from $1.15m to $1.71m and proved reserves increasing fivefold to 3.8m barrels of oil equivalent. The company came to the market in March this year incurring extraordinary costs of $1.4m.

Losses per share were 1 cent (4 cents).

Interim dividend cut at Jove Inv Trust

Jove Investment Trust, a split capital trust which invests primarily in smaller UK companies, is cutting its interim dividend.

The move reflects the impact of the recession on smaller companies, many of which have reduced or passed dividend payments, and an unprecedented number of receiverships.

The trust estimates that the cumulative arrears of unpaid net preference dividends amounts to more than £200,000.

The dividend cut – from 3.45p to 2.7p – was accompanied by a forecast that total dividends for the current year would not be less that 5.4p. The trust paid a total of 7.65p in the previous year.

Net asset value at August 31 amounted to 51.31p, against 51.91p, per income share and 26.62p, compared with 57.75p, per capital share.

Earnings per income share for the six months to the end of August emerged at 3.05p (3.33p).

Baillie Gifford Japan net assets rise

At August 31 net asset value of The Baillie Gifford Japan Trust stood at 596.2p per share, a 4.2 per cent increase on 572.1p a year earlier.

Net profit for the year to end-August was £53,964 (£29,788 loss) and earnings per share came out at 0.49p (0.28p losses). There is no dividend.

Directors said the trust had performed well since its launch, and that conditions in the Japanese stock market remained attractive for investment in small to medium-sized companies.

Accordingly, they intend to propose a resolution at the annual meeting to approve the continuance of the company for a further period of five years and a 1-for-5 bonus issue of warrants, exercisable on November 30, in each of the years 1992 to 1995.

Fired Earth Tiles tumbles by 70%

The first half of 1991 saw pre-tax profits at Fired Earth Tiles crash by 70 per cent, from £454,000 to £136,000.

However, that represented a measure of recovery as the group was in loss for the opening quarter.

Earnings per share came to only 1.79p, against 5.11p, but the cash position had improved and directors decided to maintain the interim dividend at 1.625p.

Mr Nicholas Kneale, chairman, said sales advanced by 3.5 per cent to £2.44m, but the rise underlined the fact that new shop openings by The Merchant Tiler, with their less expensive products, were offset by a decrease of more than 20 per cent on a like-for-like basis.

Despite the unprecedented weakness, he continued to draw encouragement from the decision to enter the wider sector of the market by setting up The Merchant Tiler.

Mr Kneale said the main area of weakness in the group's traditional handmade products continued to be sales from "third party" sources. Hardly a week went by without one of the trade customers being wound up, and "we are all the more grateful for the relative stability of our direct retail sales."

Australian depression takes toll on BSG

By Paul Cheeseright, Midlands Correspondent

DEPRESSION ON the Australian car market, poor vehicle sales at a Ford dealership in Birmingham and redundancy payments were the main factors behind a 19 per cent fall in interim profits at BSG International.

The Birmingham-based group with interests in automotive components, car retailing, nursery furniture and aircraft lavatory compartments, yesterday announced pre-tax profits of £6.51m for the six months to end-June, compared with £8.01m in the same period of 1990.

Mr Astley Whittall, chairman, warned shareholders that "there is no change in the markets which we serve and it is therefore likely to be 1992 before we see an improvement in the business climate."

Cutbacks in Australian car manufacture and reduced demand in the US for mirrors produced at its Adelaide plant held down the performance of the automotive component division. But UK mirror and car lighting profits were higher, as exports compensated for falling sales on the domestic market.

The group's Ford dealership in Birmingham has scaled down its operations, refusing to make fleet sales accompanied by buy-back guarantees.

Three quarters of BSG's 400 redundancies, costing £700,000, came from staff cuts in the Birmingham car operations. Car sales, which in the days of fleet sales ran at 15,000 a year, were only 1,500, down from 4,000 last time.

Overall turnover declined from £342.1m to £297.4m, but the consumer and special products division provided a bright spot with a rise from £55.1m to £63.8m reflecting higher efficiency in the Australian and UK car safety seats and nursery furniture operations and sharply increased sales of aircraft lavatory compartments to Boeing, the US aircraft maker.

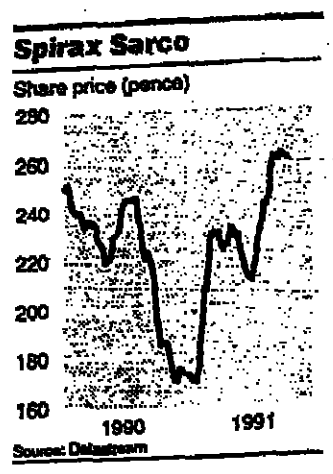
The interim dividend is maintained at 0.7p, payable from earnings of 1.92p (2.57p) per share.

Sir Ron Brierley's IEP Securities holds a 29.4 per cent stake.

Spirax-Sarco falls to £10.2m and foresees growth slowdown

By Peggy Hollinger

Chris Tappin: encouraged by growth in Far East



THE STEAM appears to be running out of Spirax-Sarco Engineering's 23-year record of trading profits growth as the Cheltenham-based group yesterday warned that it was not likely to improve on its 1990 result.

The warning came as the international steam specialist announced a 15 per cent fall in pre-tax profit to £10.2m (£12m) for the six months to June 30.

The interim dividend is maintained at 2.7p and Mr Chris Tappin, chairman and chief executive, indicated that the final pay-out would also be held at the same level as last year, barring any unforeseen events, for a total of 8.7p.

Mr Tappin said the group had put in a creditable performance in the first half, given difficult trading conditions worldwide. Interest charges, adverse currency rates, and a sharply lower contribution from South America were the main factors affecting profits.

Net interest charges were £1.35m, compared to a gain of £446,000 last time. Two thirds of this was due to financing three acquisitions.

Operating income was slightly down at £11.5m (£11.6m) on turnover ahead 4 per cent to £73.5m. The £3m rise in sales was due to the acquisition of Watson-Marlow, the peristaltic pump business, which had a negative effect on profits of about £200,000 after financing costs.

The impact of a strong pound on overseas earnings put heavy pressure on margins. Exchange rate movements also sliced £600,000 off taxable returns.

Although trading conditions around the world had been difficult, Mr Tappin said, the Far East continued to grow strongly. "We see that as a major area of potential growth," said Mr Simon Harris, finance director.

The core steam specialty business – representing 85 per cent of sales – maintained volume, although gains in Europe during the early part of the year were wiped out as the recession deepened. Brazil experienced severe pressure on margins and contributed no profits in the first half.

Drayton Controls, which makes domestic heating controls, suffered as a result of the UK property downturn, and reported just a small profit.

Earnings per share fell 17 per cent to 7.9p (9.5p).

● **COMMENT**

With other engineering stocks in free-fall recently, Mr Tappin's description of a creditable performance cannot be denied. However, analysts were not prepared for a nil contribution from Brazil, nor for the severity of exchange rate factors. Forecasts were shaved from £24m to about £22m, for a prospective p/e of 14.5. Nevertheless, the increasing use of steam worldwide bodes well for the group, as does its foray into new ranges – the bells and whistles to add to its basic steam trap product. The maintained dividend will put it on a yield of 4.5 per cent, slightly below the sector average. A reliable, if not exciting stock, and a good one for long-term punters.

SR Gent tumbles by £4m

SR GENT, the clothing manufacturer, had warned in August of the likelihood of a a sharp drop in annual profits and yesterday it reported a near-£4m fall to £1.08m before tax.

The company, which is a large supplier to Marks and Spencer, blamed difficult trading conditions at home and abroad.

The board has decided to close five production units and make some 750 employees redundant in the UK. In addition activities in the US and Australia are to cease. The cost of these measures is about £2.4m, taken as an extraordinary item.

Sales in the year to June 30 rose from £120.1m to £124.6m, but costs and overheads took £120.1m (£112.8m) and operating profit fell to £4.44m (£7.31m). Net interest payable and similar charges jumped to £3.58m (£2.55m). Last year's taxable profit was £5.04m.

A reduced final dividend of 0.75p is proposed, making a total of 2p (3p) for the year, on earnings per share of 1.3p (8.3p).

On the upside the company said sales of children's clothes had held up well and Episode, the retailing joint venture, had exceeded expectations and was trading profitably. Six new stores had opened by the end of June and ten more should open in 1991-92.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Antofagasta, Ashley (Laura), Bilston & Battersea Enamels, Clarkson (Horace), Hampden Homecare, Hay (Norman), Ibstock Johnsen, Malaya, McLaughlin & Harvey, Newarthill, Redland, TV-am, Travis Perkins, United Newspapers, Vickers, Whatman, World of Leather, Yule Catto.

Finals- Barratt Developments, Brierley Investments, EFM Dragon Trust, Eleco, Frogmore Estates, Hidong Estate, Murray Ventures, Throgmorton Dual Trust, Tor Investment Trust, Trafford Park Estates.

FUTURE DATES

Interims-	
Boxmore International	Oct 24
Hammerson Property	Oct. 11
Jacks (William)	Sep. 27
Johnston Group	Oct. 8
Laser Scan	Sep. 30
Martin Currie Pacific	Oct 9
Tharsis	Oct. 1
Finals-	
Allied Leisure	Oct 9
International Resort	Sep 30
Ossory Estates	Oct. 1
Pict Petroleum	Oct. 3
Wiggins	Sep. 27

44% decline at Dagenham Motors

After reporting "remarkably resilient" interim results for the last two years, Dagenham Motors Group saw pre-tax profit fall by 44 per cent for the opening half of 1991.

However, viewed against the exposure to the recession-hit south-east and the fall in Ford's market share, the group did well to restrict its decline to that figure, claimed Mr David Philip, chairman. Income from after-sales activities increased and accounted for 75.3 (72.5) per cent of profits, he pointed out.

From turnover of £61.2m (£63.8m) profit worked through at £1.01m (£1.8m). Earnings per share were down to 4p (7.3p) basic and to 3.9p (6.7p) diluted, but the interim dividend is again 1.75p.

The group's new car sales fell 25 per cent and new commercial sales dropped 15.5 per cent, but used car sales rose almost 25 per cent.

In August "it was a relief" to see the market only 15 per cent lower, said Mr Philip, but "we continue to trade much as we have in the first half."

Asset finance problems leave Baltic at £5.6m

Baltic, the leasing and property group, reported lower profits for the first half half of 1991 reflecting difficult conditions in the asset finance market and its continuing cautious approach to the property market.

Mr Michael Goddard, chairman, said prospects for the rest of the year depended on the timing of the economic recovery.

Turnover was 38 per cent lower at £22m (£35.5m) for taxable profits of £5.62m (£7.02m), a fall of 20 per cent. However, he pointed out that the result was an improvement on that achieved in the second half of 1990.

Earnings per share came out at 9.4p (12.2p) basic or 8.1p (10.1p) fully diluted, and the interim dividend is maintained at 1.83p. The size of the final payment will depend on conditions at the time. Last time 2.3p was paid.

Mr Goddard said that in asset finance the company had been concentrating on managing its existing book of business in order to minimise bad debts.

Turnover in the property division was only £500,000.

COMMODITIES AND AGRICULTURE

Opec ministers agree 6% rise in production ceiling

By Deborah Hargreaves in Geneva

MINISTERS OF the Organisation of Petroleum Exporting Countries last night agreed to increase the cartel's oil production ceiling to 23.65m barrels a day for the final quarter of this year, according to Mr Yousuf Bin Omeir Bin Yousuf, the United Arab Emirates' oil minister .

Some ministers had earlier indicated they were ready to agree to the rise, from the current ceiling of 22.3m b/d, but the deal was delayed as pressure mounted for a commitment from all players to the $21-a-barrel minimum reference price.

Most producers have ignored the current ceiling and Opec production has recently been averaging 23.6m b/d. Saudi Arabia had been pushing to increase production to about 24m b/d as it foresees strong demand. But the meeting has seen some tough negotiating since some producers have been slow to accept Saudi Arabia's rosy expectations.

In addition, some of the Organisation's smaller producers had been pushing Saudi Arabia to commit itself to cutting back output next year once Iraq and Kuwait return to the market in more volume. But the kingdom has been reluctant to specify output levels beyond stating that it will be flexible.

Mr Hisham Nazer, Saudi Arabia's oil minister wants to keep production at 8m b/d or higher.

Saudi Arabia's Hisham Nazer (left) talks to Homoud Al-Rqobah, the Kuwaiti minister, at this week's meeting

Kuwait says it will be producing between 800,000 and 1m b/d by next July and that it will take it another year to return to 1.5m b/d – its level before the Iraqi invasion. Iraq says it can export 1m to 1.5m b/d as soon as sanctions are lifted and that it could fill its Opec quota of 3.14m b/d in the second half of next year.

A production ceiling of 23.65m b/d will help the Organisation finally to achieve its reference price of $21-a-barrel by the end of the year since many market analysts believe that demand for Opec oil will be higher than the ceiling. Mr Michael Rothman, senior energy futures analyst with Merrill Lynch in New York said yesterday: "The supply-demand balance looks like becoming increasingly fragile into the winter." He said he would not be surprised to see New York prices approach $24 a barrel by the end of the year. That implied a price of $21 a barrel for the Opec basket. The Opec secretariat has forecast demand for Opec oil of 24.42m b/d in the first quarter of 1992.

Australia agrees to curb beef sales to US

By Kevin Brown in Sydney

THE AUSTRALIAN government said yesterday that it had agreed to US demands for "voluntary" restrictions on beef exports to avoid the imposition of legally enforceable quotas.

Sales to the US would be restricted to 337,020 tonnes this year, compared with 365,000 tonnes last year, it said. Australian farmers had hoped to repeat last year's sales level.

The agreement is a blow to Australia's farming industry, which has already been battered by the collapse of the wool market, competition from subsidised US and European grain and falling world prices for other commodities.

Mr Michael Duffy, the acting trade minister, said Australia had argued that restraints were not necessary, but had been forced to accept that voluntary restrictions represented the best deal that could be achieved.

"The government faced the choice of negotiating the best possible export level for the Australian beef industry or accepting the imposition of quotas. . . which would have led to an immediate cessation of exports," he explained.

Mr Duffy said the restrictions would cause "significant short term disruption" to the beef industry, but added that the revised sales target would still represent the fourth biggest level of exports to the US since 1980.

The US action will fuel anger in Australia over the conflict between US support in the Uruguay Round of the Gatt for liberalisation of agricultural trade, and the protectionist stance of the US Agriculture Department.

Australia and the US have already clashed several times this year over sales of subsidised US grain to countries regarded as traditional markets for Australia's virtually unsubsidised wheat.

Mr Bob Hawke, the prime minister, has accepted US claims that its stance is intended to increase pressure on the European Community, which is regarded by both the US and Australia as the chief obstacle to trade liberalisation. Mr Hawke said earlier this week, however, that the disruption of farm trade would be at the top of the agenda when President Bush visited Australia later this year.

Farmers are expected to demonstrate against US agricultural policy during the visit, and the National Farmers' Federation and other groups hope to gather millions of signatures for a petition seeking an end to subsidised US exports.

Cuba plans to double nickel output

Damian Fraser talks to the president of the state-owned producer

CUBA, WHICH has more than a third of the world's nickel reserves, is likely to produce just 40,000 tonnes of nickel this year, down from 46,000 tonnes in 1990, according to a senior Cuban government official. In the first half of this year Cuba's nickel production reached 18,500 tonnes.

Mr Walter Leo, president of the government-run Cubanickel, blamed the sharp fall in production on changes in eastern Europe and the former Soviet Union, which have lead to shortages in Cuba of sulphur and petroleum.

However, according to Mr Leo, Cuban nickel production will more than double in the next five years, thanks in part to a $1.2bn investment from a western mining company. Cuba, says Mr Leo, also has found a new way of using extractive technology and equipment to make smelters more efficient.

Cuba exports almost all its nickel production. In 1990 some 70 per cent of exports went to the West, and 30 per cent at a preferential (i.e. high) price to the Soviet Union. This was almost an exact reversal of past years when Cuba exported 70 per cent of its nickel to the former Comecom block, and 30 per cent to the West. Eastern European countries (excluding the Soviet Union) have already stopped paying Cuba preferential prices for its nickel.

Analysts in London point out that the plant at Punta Gorda has been using an ammonium carbonate leaching process followed by drying the concentrates and leached sediments. The total process consumes about 15 tonnes of oil for each tonne of nickel produced. Therefore, production of 10,000 tonnes of nickel would require 150,000 tonnes of fuel oil, which on the open market would cost more than $25m. The proposed Las Camariocas plant was expected by western analysts to use the same process.

This year the proportion of exports going to the West is likely to increase, while next year the Soviet Union may start paying international prices for its nickel, further eroding Cuba's hard currency earnings. As Mr Leo said "the idea is that all exports will [soon] be at international prices".

The Cuban official refused to say with which foreign company the government had signed a $1.2bn contract. However it had signed a "risk" rather than a "service" contract with Cuba; the payment it receives will depend on how much nickel is produced.

The company is helping Cuba to apply new smelter technology that should enable the country to expand production. The technology was developed mainly by Cubans, but was based on US and Canadian systems. Thanks to the technology, Cuban nickel plants should use energy more efficiently, while the nickel extracted will be of a higher quality.

The first beneficiary will be the Punto Gorda smelter, which has been plagued by operational problems in the past decade. The plant was commissioned more than 15 years ago, but is now only producing at only a third of its capacity of 30,000 tonnes a year.

Nevertheless, by 1995 the smelter should be producing at full capacity, according to Mr Leo. The quality of the nickel will be much higher than in the past, so that Cuban material will be suitable for the 40 per cent of world nickel demand that is currently out of its reach.

The Camariocas smelter, which originally was meant to be running by 1992, will start producing nickel in 1993. It should reach its capacity of production of 30,000 tonnes by 1996.

The two older smelters, at Moa and Nicaro, can produce about 18,500 tonnes of nickel a year each – although in 1991 there output will be substantially less because of shortages of raw materials. By 1993 they will together be able to produce 47,000 tonnes of nickel, says Mr Leo.

Cuba has long had ambitious plans to expand nickel production, but they have foundered thanks to poor Soviet technology and irregularity of supplies. The Soviets and Cubans have in recent years invested between $1bn and $1.5bn in the upgrading the two old smelters at Moa and Nicaro, and building Punta Gorda and Camariocas, but output has never come close to the target of 100,000 tonnes set for 1992.

The Cuban government official claims that old problems have been sorted out. Cuba, he says, has learnt from past mistakes; the smelters have the necessary infrastructure, such as roads, electricity, and able Cuban technicians, in place; while the new extractive technology is substantially superior to that in the past. Most Cuban nickel, he says, is close to the surface, and thus "the conditions are very economical" to exploit the metal.

Nevertheless, as this year's fall in output suggests, future Cuban nickel production remains vulnerable to national shortages of petroleum, and other essential supplies.

Producers plan nutmeg controls

By Canute James in Kingston, Jamaica

FOLLOWING THE failure of their cartel, which controlled the world market for five years, the major nutmeg producers are trying to production control to end a glut and to push up prices. Producers in Indonesia and Grenada have agreed on new production levels that will reduce the volume available on the market, and the Grenadians are contemplating destroying some stocks to lift prices further.

Indonesia accounts for 75 per cent of the world's nutmeg output, with Grenada producing 23 per cent. Their cartel, which set prices and production levels, collapsed earlier this year, following Grenadian allegations that the Indonesians had been selling below agreed minimum prices.

They have now agreed to reduce production from about 11,000 tonnes a year to just under 9,000 tonnes, with the aim of tripling prices which fell to about US$2,500 per tonne from an average of $6,500 when the cartel was intact.

While waiting for the effects of the limit on production to be reflected in prices, the Grenadian producers are in a dilemma over what to do with their surplus.

Mr Denis Noel, the island's junior agriculture minister, said local producers must find new markets for the spice, or burn excess stocks to ease the glut. "If we create an artificial shortage, we keep the buyers hungry and therefore the prices will shoot up," Mr Noel said. But destroying stocks should be a last resort and be done in collaboration with Indonesia, the minister said.

He did not detail the size of the stocks. With the glut on the world market, Grenada's earnings from nutmeg fell from US$5.9m in 1988 to $1.8m last year.

Soviet gold sales fears 'misplaced'

By Barbara Durr in Chicago

THE MARKET'S assumption that the Soviet Union will sell massive amounts of gold to pay for purchases from the West is likely to be reversed in the next few weeks, sending the gold price upward, according to the World Gold Council.

Mr James Hildebrandt, vice president of the council, which represents 74 gold producing companies, made that assessment at a conference for institutional investors in Chicago. The conference was intended to persuade them of the timeliness of gold investment now.

Mr Hildebrandt said that the market had also been over-estimating gold production and reserves in the Soviet Union. He put production at 200 tonnes per years and falling and reserves at 1,000 to 1,200 tonnes.

Partly bearing out the council's message, the gold price rose following the statement on Tuesday that Gosbank would not sell any of its 374.5 tonnes of monetary gold reserves.

Mr Hildebrandt also predicted a brighter outlook for gold over the next few years as mine production slows significantly and demand remains strong. Although jewellery demand, which outpaces all other categories, was flat during the first six months of 1991, he said jewellery demand continued to exceed mine supply. An economic rebound in the US could also help sales.

Investment demand has also not been as weak as many have thought, said Mr Hildebrandt, "It has just moved east."

US improves terms for Soviet grain credits

By Barbara Durr

THE US Department of Agriculture has made the terms of its credit guarantees for Soviet Union imports of US agricultural commoditiesmore attractive to commercial banks.

The department said that it would increase its guarantee of the principle to 100 per cent from 98 per cent and raise the interest rate cover to the average rate of 52-week Treasury bills, at present more over 5.5 per cent, from the standard cover of 4.5 per cent.

Banks have been unwilling to finance the Soviets' credits under the standard USDA terms because of their worries about Soviet credit-worthiness. They had indicated, however, that a liberalisation of the terms could induce them to lend.

The department's action only applies to the remaining $199m worth of credits available during this US fiscal year, which ends September 31. A decision on whether to liberalise the terms of the guarantees to the Soviets during the 1992 fiscal year has not yet been announced, though steps to expedite the credits are widely anticipated.

Jamaican bauxite production rises

By Canute James

JAMAICA'S BAUXITE production in the first six months of this year was 5.53m tonnes, 1.4 per cent more than in the first half of last year.

The Jamaica Bauxite Institute reported that alumina (aluminium oxide) production in the same period was 1.49m tonnes, an increase of 6.8 per cent.

The institute said that the fall in raw ore exports reflected higher refinery output in the six-month period. The institute had forecast that total 1991 bauxite production would reach 11.1m tonnes.

Jamaica's bauxite production last year was 10.92m tonnes, 11.6 per cent more than 1989 production, while alumina production was 2.88m tonnes, 33 per cent higher than 1989.

Agreement on Canadian zinc/lead mine

By Robert Gibbens in Montreal

CURRAGH Resources has reached agreement with the government of British Columbia for completion of infrastructure required for the Stronsay zinc/lead mine, formerly known as Cirque, 240 km (150 miles) north-west of Fort St John.

Curragh says environmental approvals are being negotiated and project financing completed.

The province earlier this week issued a mining permit. The property will produce 250,000 tonnes of zinc-lead concentrates annually for export. About C$57m (£29m) has already been spent on development and bringing the mine into production late in 1993 will cost a further C$177m. Mine life is estimated at a minimum 20 years.

Curragh owns 70 per cent of Stronsay and associated Asturiana de Zinc of Spain 30 per cent. ADZ already imports Curragh zinc concentrates for smelting. Curragh operates one of the world's biggest zinc/lead mines at Faro, in the Northwest Territories, and this week is opening another mine in Watson Lake, also in NWT.

● In north-western Quebec, Aur Resources and Louvem Mines have halted shaft sinking on the Louvicourt copper-zinc property while feasibility studies and project financing are completed. Developing the mine to production will cost C$300m.

The two companies are backed by Teck Corporation and Noranda.

WORLD COMMODITIES PRICES

MARKET REPORT

CONCERN ABOUT the unrest in Zaire, an important copper supplier, sparked a rally in the London Metal Exchange copper market yesterday. The cash price wiped out Tuesday's £25 fall with a £26 advance to £1,348.50 a tonne at the close, but it remained £17 down on the week so far. Dealers said this week's riots in Kinshasa and signs that the violence is spreading to the mining areas of the country have now become more prominent as market factors. Nickel prices were also firm, the cash position at the LME adding $80 to Tuesday's $70 rise to close at $7,585 a tonne. The rise was attributed chiefly to speculative buying and short-covering, believed to be on behalf of investment funds. However, Mr Ted Arnold, analyst at Merrill Lynch said in a review yesterday that prices were expected to remain under pressure, because of the surge in Soviet exports and poor demand. Recent production cuts by Inco and Falconbridge would have little or no impact on the market balance, he predicted. Technically-inspired buying was responsible for a strong rally in cocoa prices, dealers said. Although the December position at the London Futures and Options Exchange gained £17 to £754 a tonne the physical market remained extremely quiet.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.70-7.75z	-0.15
Brent Blend (dated)	$20.65-0.75	-0.20
Brent Blend (Nov)	$20.50-0.55	-0.20
W.T.I. (1 pm est)	$21.95-2.00z	-0.20

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$241-243	-2
Gas Oil	$198-200	+0.5
Heavy Fuel Oil	$72-74	
Naphtha	$208-210	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$352.75	+0.90
Silver (per troy oz)♣	424.0c	+0.5
Platinum (per troy oz)	$354.75	-4.00
Palladium (per troy oz)	$83.40	+0.25
Copper (US Producer)	112.0c	-2.0
Lead (US Producer)	38.0c	
Tin (Kuala Lumpur market)	14.85r	-.05
Tin (New York)	256.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	101.89p	-0.38*
Sheep (dead weight)†	104.84p	-0.38*
Pigs (live weight)†	78.04p	-0.94*
London daily sugar (raw)	$248.0j	+14.0
London daily sugar (white)	$291.5j	+3.0
Tate and Lyle export price	£252.0	+9.0
Barley (English feed)	£120.5u	+3.0
Maize (US No. 3 yellow)	£141.0u	
Wheat (US Dark Northern)	£97.0	
Rubber (Nov)♥	52.50p	+0.75
Rubber (Dec)♥	53.00p	+0.75
Rubber (KL RSS No 1 Oct)	221.5m	
Coconut oil (Philippines)§	$460.0x	
Palm Oil (Malaysian)§	$327.5q	+2.5
Copra (Philippines)§	$300.0j	+2.5
Soyabeans (US)	£158.5	
Cotton "A" index	68.45c	-0.10
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct/Dec t-Sep/Dec u-Oct x-Sep/Oct y-Aug/Sep z-Nov j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	214.80	215.60	218.00	213.80
Dec	194.00	200.60	194.00	
Mar	196.00	198.80	199.00	195.00
May	194.40	196.40	196.00	194.40
Aug	200.00	199 40	200.00	197.00
Oct	201.60	200.00	201.00	196.60
White	**Close**	**Previous**	**High/Low**	
Dec	284.5	287.5	288.0	284.5
Mar	287.0	290.5	290.5	286.5
May	285.0	287.5	286.5	284.0
Aug	286.0	288.0	287.0	286.0
Oct	287.0	288.3	287.0	285.0

Turnover: Raw 660 (1945) lots of 50 tonnes. White 1847 (2131)
Paris- White (FFr per tonne): Dec 1651.97,Mar 1675.47.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Nov	20.60	20.75	20.76	20.48
Dec	20.50	20.67	20.67	20.37
Jan	20.31	20.47	20.48	20.30
Feb	20.18	20.30	20.30	20.18
IPE Index	20 62	20.80		

Turnover 17000 (24501)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	199.50	199.25	200.75	198.50
Nov	201.75	201.75	203.25	201 00
Dec	203.00	202.50	203.75	202.00
Jan	200.50	200.00	201.50	200.00
Feb	195.50	194.50	196.50	194.00
Mar	188.75	188.50	190.00	188.50
Apr	181.50	182.25	181.50	

Turnover 9586 (5835) lots of 100 tonnes

WOOL
Australian wool prices are still tending to ease each week, and despite intermittent pauses and variations between category from time to time, wool remains a buyers' market. The Australian stockpile is being disposed of at an extremely slow rate, since the policy is to prevent stock sales from undermining the market for wool currently produced. There are rumours of Soviet interest in stockpile wool, but sales would be on credit and repayment of previous facilities has yet to start. The Australian Wool Corporation's market indicator reached 478 on September 25, 15 cents down on the week.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	720	708	722	719
Dec	754	737	754	739
Mar	791	774	791	778
May	810	794	811	796
Jul	830	815	830	819
Sep	848	835	850	836
Dec	873	858	872	861

Turnover: 5281 (5715) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 24 937.62 (946.68) 10 day average for Sep 25 948.37 (948.73)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	512	511	514	507
Nov	534	535	535	525
Jan	558	559	560	550
Mar	577	574	577	567

Turnover: 5037 (1882) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 24 : Comp. daily 67.26 (66.05) 15 day average 67.42 (67.35)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Oct	80.0		81.0	
Nov	89.5		87.0	
Apr	122.0	122.5	122.2	121.0
May	135.0		136.0	135.0

Turnover 149 (352) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	137.00	136.50	

Turnover 0 (20) lots of 20 tonnes.

FREIGHT – London FOX $10/Index point

	Close	Previous	High/Low	
Sep	1532	1514	1531	1530
Oct	1667	1645	1670	1649
Jan	1717	1698	1726	1701
Apr	1720	1697	1725	1710
Jul	1485		1480	
Oct	1580		1580	
BFI	1522	1523		

Turnover 342 (295)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	118.20	118.00	118.45	118.00
Jan	121.60	121.40	121.80	121.60
Mar	124.50	124.40	124.70	124.50
Barley	**Close**	**Previous**	**High/Low**	
Nov	113.90	114.05	114.00	113.90
Jan	117.50	117.75	117.75	117.50

Turnover: Wheat 340 (374), Barley 67 (61).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	105.0	105.5	105.5	105.0
Nov	107.3	108.0	108.0	107.5
Mar	108.0	109.5	108.0	
Apr	108.5		108.0	

Turnover:89 (75) lots of 3,250 kg

MGMI – London FOX

	Close	Prev	High	Low	Vol
Ind's	135.39	134.76	135.39		
Oct	136.00	135.40	136.00	135.80	85
Nov	136.40	135.70	136.40	136.40	5
Dec	136.60	135.90	136.60	136.20	115

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 16,751 lots
Cash	1183-4	1188-9		1185-6		
3 months	1212-3	1197-8	1218/1208	1215-6	1212-3	110,021 lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,291 lots
Cash	1347-50	1322-3	1351/1340	1340.5-1		
3 months	1348.5-9	1323-4	1353/1341	1341.5-2	1352.5-3	114,671 lots
Lead (£ per tonne)						Total daily turnover 2,833 lots
Cash	306.5-7	307-8	306	305.5-6.5		
3 months	317-7.25	317.5-8	317.25/316.5	316-6.5	317.25-7.5	13,286 lots
Nickel ($ per tonne)						Total daily turnover 4,196 lots
Cash	7580-90	7500-10		7575-80		
3 months	7610-20	7525-30	7650/7600	7620-5	7615-20	16,687 lots
Tin ($ per tonne)						Total daily turnover 1,100 lots
Cash	5525-32	5530-5		5525-35		
3 months	5600-5	5600-5	5610/5595	5600-10	5585-600	5,863 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,275 lots
Cash	1018-20	1010-2	1016/1015.5	1016-8.5		
3 months	1036-9	1030-1	1040/1032	1035.5-6	1037-8	29,433 lots

LME Closing £/$ rate: SPOT: 1.7335 3 months: 1.7132 6 months: 1.6979 9 months: 1.6823

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	352.50-353.00	
Opening	352.40-352.80	
Morning fix	352.40	202.727
Afternoon fix	352.75	203.258
Day's high	353.20-353.50	
Day's low	352.10-352.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.15	6 months	5.03
2 months	5.12	12 months	4.98
3 months	5.08		

Silver fix	p/fine oz	US cts equiv
Spot	243.75	423.50
3 months	249.85	429.05
6 months	255.70	434.85
12 months	268.10	447.70

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	352.75-353.75	203.25-204.25
Maple leaf	362.75-363.75	209.00-209.60
New Sovereign	86.00-87.00	49.75-50.25

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
450	84	108		1
500	36	64	2	7
550	6	32	22	25
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	69	110	15	20
725	52	93	23	28
750	38	78	34	38
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	74	38	10	39
2050	46	71	25	53
2100	18	51		80

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	352.8	353.7	352.5	352.5
Oct	353.0	354.0	353.5	352.3
Nov	354.6	355.5	0	0
Dec	356.3	357.2	356.9	355.4
Feb	359.4	360.3	359.9	358.8
Apr	362.2	363.1	0	0
Jun	365.2	3366.1	366.0	365.0
Aug	368.3	369.2	0	0
Oct	371.4	372.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	355.6	357.2	357.5	353.5
Jan	360.0	361.4	361.5	357.5
Apr	364.0	365.4	364.5	362.3
Jul	367.8	369.2	368.0	366.0
Oct	374.8	376.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	421.7	425.0	421.0	418.0
Oct	421.9	425.4	0	0
Nov	424.1	427.6	0	0
Dec	426.5	430.0	428.0	422.0
Jan	428.7	432.2	0	0
Mar	433.4	437.0	434.5	429.0
May	437.9	441.6	438.5	434.0
Jul	442.3	446.1	442.5	441.5
Sep	447.1	450.9	0	0
Dec	454.5	458.3	452.5	452.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	110.25	107.40	110.40	108.35
Oct	109.15	106.50	109.15	107.10
Nov	107.90	105.40	107.40	107.40
Dec	106.65	104.35	106.90	105.00
Jan	105.45	103.35	0	0
Feb	104.70	102.85	103.95	103.95
Mar	103.95	102.10	103.95	102.90
Apr	103.30	101.55	0	0
May	102.65	101.00	102.30	101.70
Jun	102.30	100.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	21.96	22.19	22.20	21.90
Dec	21.86	22.10	22.11	21.80
Feb	21.52	21.73	21.73	21.50
Mar	21.33	21.55	21.55	21.33
Apr	21.17	21.38	21.35	21.17
Jun	21.03	21.14	21.10	21.00
Jul	20.84	21.06	21.00	20.85
Aug	20.95	21.01	21.00	20.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	6310	6369	6390	6290
Nov	6425	6493	6510	6405
Dec	6540	6569	6615	6520
Feb	6400	6457	6465	6400
Mar	6140	6187	6212	6130
Jun	5670	5672	5710	5710
Jul	5605	5627	5605	5605

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1226	1204	1230	1202
Mar	1279	1256	1280	1263
May	1307	1289	1310	1295
Jul	1328	1311	1321	1320
Sep	1355	1335	1342	1342
Dec	1391	1371	0	0
Mar	1426	1406	0	0
May	1449	1429	0	0
Jul	1474	1454	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	91.30	91.70	92.15	90.95
Mar	94.50	94.85	95.20	93.50
May	96.80	97.10	97.30	96.00
Jul	99.25	99.25	99.50	98.40
Sep	102.00	102.50	102.00	102.00
Dec	105.00	105.25	105.00	105.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.47	9.49	9.59	8.46
Mar	9.16	9.23	9.28	9.12
May	9.06	9.07	9.15	9.04
Jul	9.03	9.00	9.16	9.01
Oct	8.92	8.91	9.06	8.92

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	62.91	63.69	63.60	62.90
Dec	65.08	65.54	65.55	64.71
Mar	66.70	67.11	67.17	66.40
May	67.30	67.80	67.80	67.21
Jul	67.93	68.36	68.45	67.85
Oct	68.44	68.85	0	0
Dec	66.20	66.25	66.20	65.92
Mar	67.50	67.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	124.60	121.85	125.00	120.80
Jan	123.90	120.80	124.25	120.20
Mar	124.75	121.60	124.90	121.00
May	125.80	122.70	126.00	122.00
Jul	125.80	122.70	124.00	124.00
Sep	125.80	122.70	0	0
Nov	125.80	122.70	0	0
Jan	125.80	122.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 25	Sep 24	mnth ago	yr ago
1653.8	1639.1	1658.5	1782.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 24	Sep 23	mnth ago	yr ago
Spot	117.94	117.98	117.92	130.26
Futures	124.70	124.12	121.61	131.43

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	590/2	592/0	597/2	589/4
Jan	601/0	603/2	608/2	600/4
Mar	610/6	613/2	618/4	610/4
May	617/6	620/4	625/2	617/2
Jul	622/4	626/2	630/4	622/4
Aug	620/4	621/4	624/0	620/0
Sep	598/0	602/0	606/0	598/0
Nov	590/6	593/4	598/0	590/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	20.68	20.83	20.95	20.63
Dec	21.07	21.16	21.27	21.00
Jan	21.29	21.35	21.43	21.19
Mar	21.61	21.66	21.78	21.58
May	21.89	21.90	21.99	21.85
Jul	22.25	22.25	22.27	22.12
Aug	22.35	22.35	22.35	22.25
Sep	22.35	22.38	22.35	22.25
Oct	22.30	22.32	22.30	22.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	191.1	190.6	193.5	190.6
Dec	188.1	187.9	190.7	187.9
Jan	186.2	186.1	188.7	186.0
Mar	184.5	184.2	186.5	184.3
May	182.1	181.7	183.8	181.6
Jul	181.1	181.3	183.5	180.6
Aug	180.0	179.7	180.0	180.0
Sep	178.8	178.0	180.0	178.8
Oct	190.9	190.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	247/2	248/4	250/4	247/0
Mar	255/2	256/4	258/0	255/0
May	260/2	261/2	263/0	260/0
Jul	263/0	264/0	265/6	262/4
Sep	253/2	254/6	256/0	253/2
Dec	250/0	251/4	252/4	249/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	327/2	326/4	329/6	327/0
Mar	330/2	329/4	332/6	330/2
May	324/4	322/6	326/0	324/0
Jul	308/4	307/0	310/6	308/2
Sep	316/0	313/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.45	74.25	74.50	74.12
Dec	78.92	76.75	78.97	78.70
Feb	74.42	74.32	74.50	74.22
Apr	75.20	75.05	75.30	75.05
Jun	72.65	72.57	72.65	72.47
Aug	70.70	70.72	71.00	70.70
Oct	71.75	71.60	71.75	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	46.00	46.07	46.37	45.80
Dec	45.40	45.55	45.85	45.25
Feb	44.50	44.72	45.00	44.35
Apr	42.25	42.55	42.75	42.20
Jun	48.55	48.60	48.90	48.55
Jul	48.67	48.95	48.95	48.65
Aug	45.17	45.40	45.20	45.10
Oct	41.55	41.77	0	41.55

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	47.30	47.70	48.30	47.10
Mar	47.12	47.55	48.15	47.05
May	48.12	48.72	49.10	48.05
Jul	48.32	48.90	49.00	48.25
Aug	46.52	46.90	0	46.52

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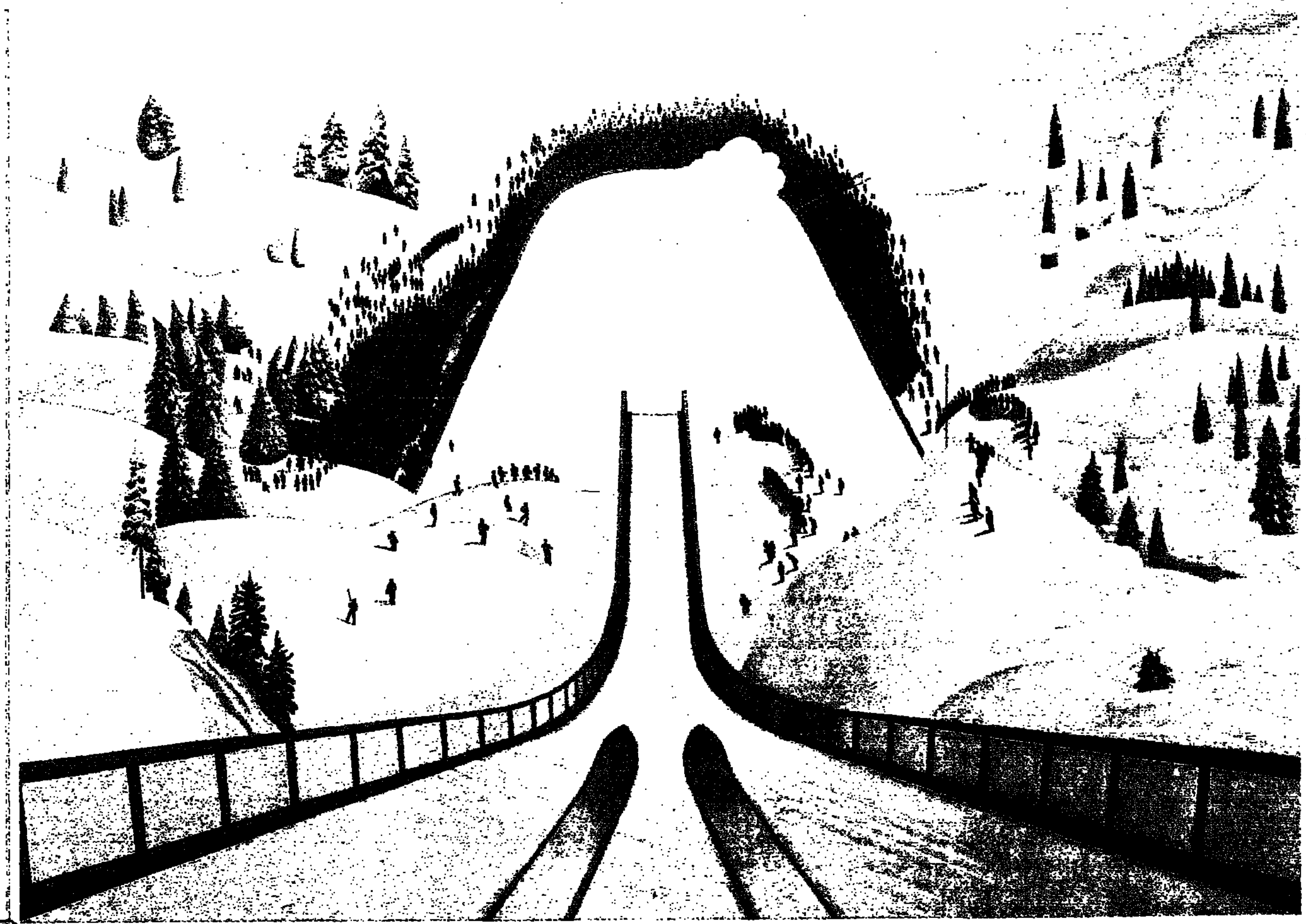

HOW DO YOU KNOW YOU CAN DO SOMETHING IF YOU'VE NEVER DONE IT BEFORE?

The simple answer is that you don't. No one who has ever struck out on their own ever has and no one ever will. So, as you stare over the edge of a management buy-out, contemplate starting your own business, or face buying into another company, at 3i we understand if you feel somewhat daunted.

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Firm close challenges FT-SE 2,600

By Terry Byland, UK Stock Market Editor

AFTER some initial nervousness, the UK stock market rose sharply yesterday on the back of selective buying of the international blue chip stocks. By the close, the FT-SE Index was within three points of the 2,600 mark, so briefly regained on Friday.

The absence of the feared rights issue helped the stock market but did not protect the food manufacturing stocks from selling pressure.

Equities opened sharply higher, encouraged by Wall Street's overnight rally from early falls and by confirmation that Abbey National was making its foray into the life assurance business by way of a £285m cash purchase of Scottish Mutual Assurance; while the deal does not put new money into the stock market, it implies a confident view of the UK financial sector which has attracted good investment support over recent months.

Account Dealing Dates		
*First Dealings:		
Sep 16	Sep 30	Oct 14
Option Declarations:		
Sep 26	Oct 10	Oct 24
Last Dealings:		
Sep 27	Oct 11	Oct 25
Account Day:		
Oct 7	Oct 21	Nov 4

*New-time dealings may take place from 8.30 am two business days earlier.

Market confidence was also encouraged by the absence of the widely-predicted rights issue from Asda, the troubled food supermarket group. However, fear of a fund-raising move in the £300m plus range by Asda was not ruled out but merely postponed by hints in the stock market that the group will this week announce the long-awaited appointment of a new chief executive, perhaps in tandem with a takeover move from Tengelmann, the German food retailer which controls A & P Stores, the US food supermarket company.

Completion of an equity trading programme, printed at the close of the previous trading session, also helped share prices, albeit for a while, and the market advanced by 12.5 on the Footsie scale as Warburg Securities, the UK based securities firm, followed James Capel, the institutional broking house, in drawing attention to the favourable bond-equity rating of the London stock market.

The early advance in equities ran out of steam, however, and the initial gain was cut back by about one third. Buyers then returned and, in the absence of negative news from either political or corporate fronts, share prices moved ahead sharply. By the end of the session, the FT-SE Index was 21.2 points ahead at 2,597.8. The final hour of trading saw London moving ahead confidently with ICI and BAT Industries standing out well.

Seaq-reported turnover increased to 596.2m shares from the 452.4m of the previous session. The Seaq total, which takes in both retail and intra market business, has proved a somewhat unreliable guide to equity activity this week. Stock Exchange statistics show that Monday's retail business remained relatively unimpressive at £813.8m, compared with last week's daily levels of around £1.5bn.

Yesterday's trading volume totals were swollen by substantial broker trades of stocks in oils and food companies. In the food retailing sector, heavy business in Asda was accompanied by trades of 2m shares apiece in Tesco, Sainsbury and Argyle. Strauss Turnbull, the UK securities arm of Société Générale, has been prominent among London houses taking a bearish view of the food retailing sector.

A large block trade in British Petroleum was also noted as having boosted turnover among oil sector stocks. But most of the blue chip stocks benefited from Wall Street's steady performance in early trading, reflected in a gain of just over two Dow points in London hours.

FINANCIAL TIMES STOCK INDICES

	Sept 25	Sept 24	Sept 23	Sept 20	Sept 19	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.38	87.52	87.62	87.72	87.88	78.13	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.06	97.13	96.82	96.79	96.80	86.95	97.13 (24/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2028.9	2009.4	2016.5	2036.8	2011.3	1532.6	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	163.7	161.3	159.1	159.2	161.6	197.5	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2597.8	2576.6	2579.5	2600.3	2588.7	2000.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1171.08	1168.56	1169.98	1174.90	1171.28	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.68	4.71	4.69	4.68	4.74	6.20				
●Earning Yld %(full)	7.50	7.54	7.53	7.47	7.60	13.00				
●P/E Ratio(Net)(☆)	16.63	16.53	16.58	16.70	16.42	9.32				
SEAQ Bargns 4.45pm	28,595	27,314	27,812	30,908	29,209	16,854				
Equity Turnover(£m)†	-	813.84	783.99	1,351.86	1,446.91	673.15				
Equity Bargains†	-	25,910	28,886	31,240	28,753	16,209				
Shares Traded (ml)†	-	422.4	348.1	526.8	579.8	335.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.90

Ordinary Share Index, Hourly changes — Day's High 2029.1 — Day's Low 2008.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2015.8	2016.0	2011.4	2011.3	2017.6	2019.7	2022.4	2025.1	2025.3

FT-SE 100, Hourly changes — Day's High 2598.0 — Day's Low 2581.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2584.4	2586.0	2583.1	2584.3	2587.9	2589.2	2592.8	2594.5	2594.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1172.15 — Day's Low 1168.90

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1171.89	1171.36	1170.55	1170.10	1170.16	1170.75	1170.36

GILT EDGED ACTIVITY

Indices*	Sept 24	Sept 23
Gilt Edged Bargains	79.6	79.2
5-Day average	77.9	78.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

German bid seen for Asda

TAKEOVER speculation again boosted Asda yesterday as turnover rose to 42m shares, with many dealers convinced that at least one substantial stake, and possibly more, had been accumulated in the troubled grocery chain.

The shares closed 4½ higher at 64p amid suggestions that Tengelmann, the German retailing group, will bid for the company and also underwrite a rights issue.

Several large lines of stock were absorbed by the market and once again US brokers took a keen interest, with Lehman Brothers and Goldman Sachs both said to have been buyers.

There was also talk that a new chief executive will be announced on Friday, although in the absence of the widely predicted appointment, each day brings forth ever more exotic suggestions as to who will take over operational control of the company.

The revival of bid speculation in the food sector also lifted Cadbury Schweppes, which rose 9 to 413p.

BAe hints

There was keen two-way trading in British Aerospace (BAe) as the market picked up hints that Professor Roland Smith, the chairman, was about to resign. The share price initially dipped to 420p but steadied to finish unaltered at 425p on turnover of 2m.

One defence specialist said the removal of Professor Smith "might see the share price pop up a bit, but that would be a knee-jerk reaction". He added that the appointment of another chairman – Sir Graham Day is the market's favourite – "does not solve the group's immediate problems".

Abbey deal pleases

Abbey National rose to within a whisker of its all-time peak of 311p, before ending a net 13 ahead at 308p, after the bank confirmed long-running stories that it was interested in buying a life assurance arm. Turnover in Abbey reached 6.8m shares.

The company announced the purchase of Scottish Mutual, for £285m. It was rumoured to have run its slide-rule over a number of life companies, notably London and Manchester, in recent months.

The purchase price and strategy behind the move drew praise from most analysts. Mr Mike Fesemeyer at Daiwa, the Japanese-owned stockbroking house, said Abbey had "paid a full price for an extremely sound business with excellent long-term potential. It ties in with Abbey's long-term philosophy of sound and solid activity." Another specialist described the move as "a reasonable deal at a sensible price".

Glaxo was a conspicuous weak spot as sentiment was once again hit by a dispute among doctors over the safety of a class of asthma drugs called beta agonists. The company produces an old but popular treatment, Ventolin, as well as Serevent, seen as strategically significant for the group's growth.

Recent scientific surveys have suggested a correlation between heavy use of beta agonists and deaths of a small proportion of sufferers of severe asthma.

In response to this evidence, the International Asthma Council (IAC), has issued guidelines recommending the use of anti-inflammatories, another class of asthma treatment. The guidelines have this week been attacked by the UK National Asthma Campaign.

Standard Chartered shares gave their best performance for some time, closing 21 higher at 371p, with the market responding to suggestions that UAP, the French insurance group, and Liberty Life, the South African insurance concern, are about to launch a joint bid for the bank. The two insurance companies recently formed a venture, Rockleigh, to take control of Sun Life, the UK life assurance group.

Heavy trading was reported in the oil and gas sector. British Gas moved up strongly to reach an all-time high of 280p, shrugging aside worries about increased regulation from industry watchdog Ofgas. Turnover was 11m shares.

BP was the heaviest traded stock in the sector, with 15m shares changing hands as institutions responded to conflicting advice from top analysts. Kleinwort Benson and James Capel were said to have been keen supporters of the majors yesterday. BP settled a penny harder at 330p, while Shell, in spite of worries about the dividend, moved up 4 to 494p.

A number of influential London broking houses bought the power generator stocks. Turnover was sharply higher throughout the list, with 21m shares traded in each of National Power and Scottish Power.

The latter, still boosted by a recent bullish note from BZW, settled a penny ahead at 116p, while the former, a strong performer over the past week, after keen demand from US and UK broking firms, climbed 5 to 170p. One of London's top agency brokers was said to have given the sector a big push, overpowering some determined selling from Japanese brokers. PowerGen put on 4 to 179p on 6.1m and Scottish Hydro-Electic improved to 114½p on 8.7m.

Thames TV's recent good run, on the back of steady buying of traditional call options, came to an end. Thames eased a penny to 224p, leaving the gain over four sessions at 26.

Maxwell Communication Corporation recovered some of the ground lost in the wake of a critical television programme. The shares improved 6¼ to 170p, still 4 below Friday's close. Recent option activity was largely on the put side.

Angila TV firmed 4 to 199p as the company announced a £1.5m deal to make children's adventure game shows for German and Dutch broadcasters. Anglia said the contract "is believed to be the biggest single UK order for foreign language television programmes".

Unrest in Zaire prompted a bounce in copper prices and in turn helped shares in RTZ to climb 8 to 546p. The stock was also helped by a technical position in the traded options market. The view that metal prices would be generally firm pushed Lonrho 6½ higher to 245p and Charter Consolidated 10 better to 548p.

The absence of sellers in many larger company stocks exaggerated gains in the more volatile constituents of the FT-SE 100. Among those to benefit were Great Universal Stores, 33 stronger at 1338p, and Reuters, up 19 at 953p.

Another volatile security, Rothmans, continued to benefit from analysts' recent recommendations and climbed to its second new high in succession, adding 9 at 1121p in thin trade. Other stocks with tobacco interests attracted good demand. BAT Industries climbed 13 to 658p in above average trading volume and Hanson firmed 3¼ to 227p as a busy 6m shares changed hands.

BOC advanced on the back of a recommendation earlier this week from James Capel and after recent weakness. The shares moved up another 14 to 593p in good turnover. Other leading chemicals also rose, ICI adding 15 at 1305p.

Bell Atlantic's move for Metro Mobile, the cellular radio group, continued to boost Vodafone, which climbed to 391p before closing 12 up at 387p; turnover was a heavy 4.9m shares. Vodafone's former parent, Racal Electronics, attracted some exceptionally strong two-way demand – 9.2m shares traded – and closed fractionally easier at 55¼p. Cable and Wireless rose 15 to 565p with a hefty 6.2m shares traded, after a couple of influential broking houses said the stock had lagged the sector and the market recently.

MEPC led the property sector higher after announcing it had let part of its Alban Gate office development in London at £45 per square foot, with a 30-month rent-free period. The shares added 11 at 506p, their best level since May.

Inchcape receded 6 to 376p. There was talk that one securities house was recommending a switch into Harrisons & Crosfield (up 2 at 156p), but the stock has had a good run and it seemed more likely that investors were merely taking profits.

ECC, which gave a presentation at County NatWest yesterday, gained 4 to 476p.

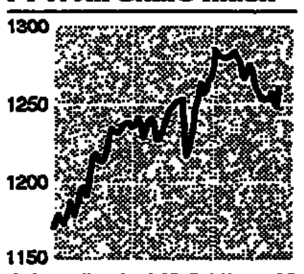
News of a rights issue pushed Porter Chadburn down 6 to 77p.

Courtaulds, which had been weak following a recommendation by James Capel on Monday to switch into BOC, recovered 9 to 472p. Hoare Govett is keen on the stock and argues that it remains undervalued.

MARKET REPORTERS:
Daniel Green, Peter John,
Jim McCallum,
Steve Thompson.

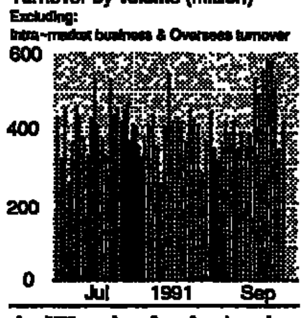
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 27.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (118).
BRITISH FUNDS (3) Tr 2pc I-L 1992, Tr 2pc I-L 1994, Tr 2pc I-L 1996, AMERICANS (2) Merrill Lynch, Whirlpool, CANADIANS (2) BC Gas, Granges Expln., BREWERS (2) Marston Thompson, Wolv. & Dudley, BUILDINGS (1) Tay Homes, CHEMICALS (4) Blagden Inds., Canning (W), Halstead (J), Joyce, STORES (4) Forminster, Hogg Robinson, Pepe, T & S Stores, ELECTRICALS (8) Acal, Delta, Domino Print. Sciences, Harland Simon, Life Sciences, Macro 4, Microgen, Renishaw, ELECTRICITY (2) National Power, Sth. Wales Elect., ENGINEERING (8) Atlas Conv. Equ., Meggitt, Spirax-Sarco, Staveley, Victaulic, FOODS (5) Everest Foods, Farepak, Geest, JLI, Sims Food, INDUSTRIALS (27) AAH, Allumasc, Assoc. Brit. Ports, BSG, BSS, Beepak, Boxmore, Brit. Polythene 7½pc Pf., Calderburn, Charter Cons., Cornwell Parker A, Diploma, Dobson Park, Dolphin Pack, Dyson (J & J) A, Grampian, Hepworth, Johnson Cleaners, M.L. Labs., Medeva, RCO, Reed Exec., Sarco, Seton Healthcare, Silentnight, Vinten, Wassall, INSURANCE (4) Britannia, Heath (C.E.), Lloyd Thompson, Utd. Friendly B, LEISURE (3) Capital Radio, Central ITV, Eurocamp, NEWSPAPERS (4) Adscene, Johnston Press, News Intl. Spec. Div., Pearson, PAPERS (3) Cropper (James), Fitch RS 8p Cv. 2007, PROPERTY (3) Mucklow (A & J), Slough Ests. 8½p Pf., TEXTILES (3) Aitkins, Ingham (G), Leeds, Toray, Yorklyde, TOBACCOS (1) Rothmans B, TRANSPORT (5) Air London, Clarkson (Horace), Eurotunnel Units, Interlink Express, Mayne Nickless, TRUSTS (23) Aberforth Smaller Co's. Tst., Aberforth Split Level Cap., Do. Inc., Do. Units, Brit. Emp. Securities, Edinburgh Fd. Man., Equity Consort Dafd., Fleming Japanese, Foreign & Col., Japan OTC Fd., Japanese Warrant Fd., Do. Warrants, Mercury Asset Man., Moorgate, Moorgate Smaller Co's, Do. Warrants, Personal Assets, Rathbone Bros., SPLIT, Scot. Cities A, Sec. Alliance, TR Smaller Co's., US Smaller Co's Warrants, OILS (4) British Gas, Burmah 8½pc Ln 1991-96, Global Natural Res., Woodside.
NEW LOWS (14).
BUILDINGS (3) Costain, Mowlem (J), Tarmac, STORES (1) Oliver, ELECTRICALS (3) Enterprise Computer, Norsk Data A, Pegasus, INDUSTRIALS (4) Barlo, Dean & Bowes, Harding, Tams (John), PROPERTY (3) Dencora, Dwyer, Do. 7¼pc Pf.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	207	483	-12	Cookson	4,800	139	+2	Lucas	189	145		Severn Trent Water	134	334	-4
ASDA Group	42,000	64	+4½	Courtaulds	2,300	472	+9	MB Caradon	229	263	+2	Shell Transport	6,800	494	+4
Abbey National	6,800	308	+13	Dalgety	988	411	+4	MEPC	2,600	506	+11	Siebe	111	621	+4
Albert Fisher	4,200	109	+2	De La Rue	119	454	-1	Manweb	8	367	+1	Slough Ests	333	278	-1
Allied-Lyons	1,400	624	-4	Dixons	2,300	262	+1	Marks & Spencer	4,900	274	+3	Smith (W H) A	486	445	+4
Amstrad	1,200	39	-2	ECC Group	330	476	+4	Maxwell Comms.	413	170	+6½	Smith & Nephew	7,700	129	-½
Anglian Water	308	373	-3	Eastern Elect.	657	199	+3	Midland Bank	2,000	254	+1	SmKl Beecham	1,800	758	-1
Argos	2,800	308	-1	East Midland Elect.	38	205½	+½	Midlands Elect.	388	213½	+1½	SmKl Beecham Uts.	97	3378	+3
Argyll Group	3,800	285	-2	Enterprise Oil	805	611	+2	NFC	112	217	+1	Smiths Inds.	445	283	+5
Arjo Wiggins	1,900	287	+2	Eurotunnel Units	1,500	535	+6	NatWest Bank	4,630	348	+5	Southern Elect.	47	213	+1
Ass. Brit. Foods	153	491		FKI	470	73	-½	National Power	21,000	170	+5	South Wales Elect.	544	262	+4
[illegible]															
British Land	7	320	-1	Gill	40	251		Reuters	1,000	953	+19	Unigate	651	332	+3
BP	15,000	330	+1	ICI	1,900	1305	+14	Rolls Royce	2,200	144	+2	Unilever	1,000	782	+7
British Steel	3,200	131	+2½	Inchcape	1,400	376	-6	Rothmans	65	1121	+9	United Biscuits	679	400	+6
British Telecom	1,900	380	+5	Kingfisher	1,300	546	+4	Ryl Bk Scotland	2,200	181	+2	Utd. Newspapers	580	394	-2
Bunzl	5,100	91	+1	Ladbroke	1,400	253	+5	Royal Insurance	1,400	374	+4	Vodafone	4,900	387	+12
Burmah Castrol	213	684	-1	Land Securities	2,100	539	+4	Saatchi	2,700	16½	-½	Wellcome	308	739	+6
Burton	2,000	47		Laporte	168	600		Sainsbury	2,400	352	+1	Welsh Water	498	372	-8
Cable & Wire.	6,200	565	+15	Legal & General	588	431	-4	Scottish & New.	1,500	411	+7	Wessex Water	691	416	-2
Cadburys	3,400	413	+9	Lloyds Abbey	813	428	-1	Scot. Hydro-Elect.	8,200	118	+1	Whitbread 'A'	1,200	478	+1
Calor Group	50	235		Lloyds Bank	1,000	386	+7	Scottish Power	21,000	114½	+1	Williams Hldgs.	973	335	-1
Carlton Comms.	45	513		LASMO	295	308	+1	Sears	3,700	84½	-½	Willis Corroon	650	302	-3
Coats Viyella	2,800	180		London Elect.	155	208	+2	Sedgwick	1,700	281	-4	Wimpey	12	185	
Comm. Union	381	516		Lonrho	1,700	245	+6½	Seaboard	219	215	+3	Yorkshire Elect.	45	244	
												Yorkshire Water	371	400	-4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES were boosted by heavy rolling-over of positions in the Liffe and stock option expiry on the LTOM yesterday, writes Peter John.

The September Footsie future contract opened strongly in the morning and maintained a large premium to the underlying cash market.

The spread between September and December, which has tended to remain around 45, moved sharply higher yesterday and there was a considerable amount of rolling out. This prompted one US house to buy the September and sell the December.

At the official close, the September was at 2,608, a premium of 14 to the underlying index against its present estimated fair value of 6 points. The December closed at 2,657.5 with nearly 2,900 lots dealt.

Stock option expiry dominated business on the LTOM and helped to boost overall turnover to 28,120 lots.

Of the busiest seven stock options, all but Asda, which continued brisk on takeover speculation, were subject to September expiry. Abbey National was also affected by news of its purchase of Scottish Mutual.

RTZ underlying shares were boosted by a buyer of November 550 calls and a seller of November 550 puts.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Deputy chairmen for BT

■ Two deputy chairmen are being appointed at BT (formerly British Telecom) with effect from October 1. The appointments follow the retirement on September 30 of Mr John Raisman, the current deputy chairman.

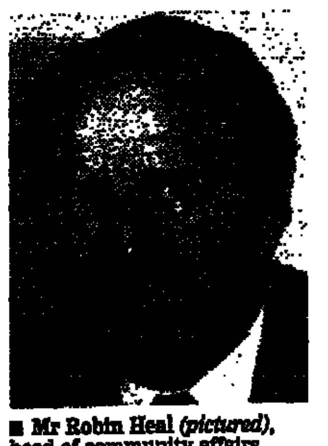
Mr Paul Bosonnet, a non-executive member of the board since 1986, will become non-executive deputy chairman, and Mr Michael Bett, vice-chairman since last October, will be executive deputy chairman. The vice-chairman post will lapse.

Mr Bosonnet, 59, is deputy chairman of BOC Group and also non-executive chairman of Logica. Mr Bett, 56, was managing director of British Telecom UK until March this year. He became vice-chairman of BT last October.

■ HILL SAMUEL has appointed Ms Sophie Hull, previously manager, corporate communications, Hill Samuel Investment Services Group, as head – corporate communications for the recently combined Hill Samuel Companies. Ms Hull will report to Mr Hugh Freedberg, chief executive.

■ Mr Jim Sutcliffe has been named deputy managing director of PRUDENTIAL CORPORATION's home service division. He will be responsible for the actuarial, marketing, administration and computer systems areas.

Mr Sutcliffe joined Prudential in 1976 and has most recently been employed as chief operating officer for Jackson National Life, Prudential's US subsidiary.



■ Mr Robin Heal *(pictured)*, head of community affairs, BP International, has been appointed chairman of the board of the LONDON ENTERPRISE AGENCY.

The agency is a consortium of 21 major companies dedicated to urban renewal through a variety of projects and programmes promoting small business, greater access to employment, and educational and environmental improvements.

Mr Heal succeeds Mr Nigel Haslam, former finance director, Shell UK. Other new directors are Mr David Burditt, Guinness Brewing Worldwide, Mr James Crowe, British Rail, and Mr Bryn Smith, Whitbread & Co.

■ PRELUDE TECHNOLOGY INVESTMENTS HOLDINGS, the early stage technology venture capital specialist, said Sir Robert Telford has retired as chairman and a director.

Mr Michael Arnold, a chartered accountant and a former senior partner of Arthur Young, has been named as his successor.

■ WOLANSKI & CO, consulting actuaries, has admitted a new partner, Mr John Ferguson, formerly with the Wyatt company, who will manage the newly opened Cambridge office.

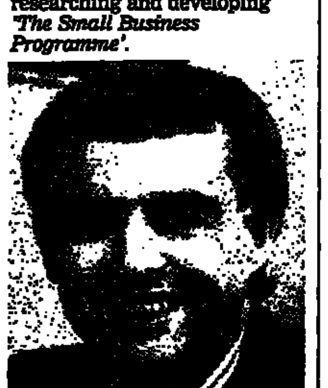
■ LEEDS GROUP has appointed Mr James Kidd to the main board. He is managing director of WALSDEN PRINTING, and has been a director of Walsden since the company joined Leeds Group in 1986.

■ Mr Michael Herson has been named director of marketing of the INITIAL CONTRACT SERVICES group of companies, part of the industrial and commercial services division of BET.

Previously with GLS, the London based school supplies company, he has also held senior marketing positions with RHM, United Biscuits and Unilever.

■ QUASAR, a subsidiary of international leisure group LEISURECORP, has appointed Professor Paul Burns as a non-executive director.

He is Professor of Enterprise at the Cranfield School of Management. Working with the Open University and the BBC, he was responsible for researching and developing *'The Small Business Programme'*.



■ FRIGOSCANDIA, the temperature controlled transport, storage, processing and equipment sales company, has named Mr David Merriott *(pictured)* as managing director.

He will take over at the end of the year from Mr Ted Hall, who is retiring after 14 years as managing director. Mr Hall will remain on the board as a non-executive director.

Mr Merriott was managing director of St Ivel Chilled Products. He has over 20 years experience in the food industry, working for companies such as Wall's Meat Co and Brooke Bond Oxo.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories†	30⅝	+¼	$1.00	–	1.9
385p	257p	Allegheny & W 1c	259p		30c	–	6.8
10¼	667p	Amdahl 5c	755p	–15	10c	–	0.8
42¼	25¼	Amer. Cyanamid $5	38		$1.50	–	2.3
17⅜	9⅞	Amer. Express 60c	15⅛	+⅛	72c	–	3.6
24⅛	15¼	American T. & T. $1	21⅛		$1.32	–	3.6
38⅞	32½	Ameritech $1	35¼	–¼	$3.40	–	5.7
26	12⅞	BankAmerica $1 ⅝	23⅝	+⅛	$1.20	–	3.0
35⅛	20⅛	Bankers N.Y. $1	34⅛	+⅛	$1.52	–	8.4
30⅜	24⅛	Bell Atlantic $1	24⅛	–⅛	$2.52	–	5.6
31⅛	25	BellSouth Corp	28½	+⅛	$2.76	–	5.7
11⅛	6⅞	Bethlehem Steel $8	9⅝	+⅛	40c	–	2.4
1839p	1046p	Bowater Inc	1368p	+6	$1.20	–	5.1
54⅝	37⅝	CPC Intnl. 25c	58⅛	–⅛	$2.00	–	2.4
930p	420p	California Engy	856p			–	–
50	28⅛	Campbell Soup 15c	43⅞	+⅞	$1.16	–	1.6
12⅛	5⅞	Chase Manhattan $12½	18⅝	+⅛	$1.20	–	6.7
9⅛	5⅞	Chrysler $6¼	5⅛		60c	–	6.0
10⅝	5⅞	Citicorp $1	8⅛	+⅛	$1.00	–	7.2
25	21⅞	Colgate-Palmolive $1	24⅛	+⅛	$7.06	–	2.6
928p	438p	Cont'l Bank Corp $4	654p	+6	60c	–	5.4
21⅝	13⅞	Dana Corp. $1	17⅞	+⅛	$1.60	–	5.3
1199p	203p	Data General	1187p	+21		–	–
22⅞	12⅞	Dial Crop. $1.5	21⅛	+⅛	$1.40	–	3.9
29⅝	20⅛	Dun & Bradstreet $1	27⅛	–⅛	$2.16	–	4.7
40	24⅛	Eaton Corpn. 50c	36⅛		$2.20	–	–
8⅛	5⅛	Echlin Inc	6⅞		70c	–	–
20⅛	14⅞	FPL Group 1c	18⅝	+⅛	$2.40	–	6.0
30⅛	17⅞	Fluor Corp 62½c	24⅛	+⅛	32c	–	7.5
23⅛	13⅛	Ford Motor $1	17	+⅛	$1.60	–	0.8
46⅞	26⅛	Gen. Elect. 63c	40⅛	+⅛	$2.04	–	3.5
5660	270p	General Host Corp $1	504p		34c	–	3.0
45⅛	20⅛	Gillette $1	24	+⅛	62c	–	4.0
18⅛	794p	Hasbro Inc 50c	17⅛	–⅛	24c	–	1.5
38⅛	21⅛	Honeywell $1½	30⅛	+⅛	$1.90	–	0.8
23⅛	17⅛	Houston Inds.	22⅛	+⅛	$2.96	–	2.9
72⅛	55⅛	IBM Corpn $1¼	61	+⅛	$4.84	–	7.9
32⅛	18⅞	Ingersoll-Rand $2	29⅛	+⅛	$1.32	–	4.7
28⅛	16⅛	Lockheed Crpn. $1	23⅛	+⅛	$2.00	–	2.7
2135p	1245p	Lowe's 50c	1899p	+28	56c	–	5.0
18⅛	9½	Manuf. Hanover $1	16⅛	–⅛	$3.28	–	1.7
28⅛	10⅛	Merrill Lynch $1	28⅛	+1⅛	$1.00	–	11.8
33⅛	21⅛	Morgan (JP) $2½	33⅛	–⅛	$1.98	–	2.1
44⅛	25⅞	Morris (Philip)	41⅛	+⅛	$2.10	–	3.5
46⅛	39	NYNEX $1	43⅛	–⅛	$4.56	–	3.0
89p	15p	Pac. Agricultural	15p			–	6.1
23⅛	11⅛	Pall Corp. 25c	21⅛	+⅛		–	–
46⅛	33⅛	Pennzoil 83 1/3c	[illegible]				
[illegible]							

BUILDING, TIMBER, ROADS – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
195	59	Beazer 10p	117		44.0	♦	4.6	♦
277½	192	Bellway	245		11.0	1.9	6.0	12.0
19	3	Bellwinch 10p	3					–
351	211½	Berkeley Group	339		M4.5	0.3	1.8	–
153	107	Bett Bros. 20p	108		6.4	2.2	7.9	7.5
188	119	Birse Group 10p	152		5.5	2.5	4.8	10.7
122	90	Blockleys 20p	108		4.81	1.9	6.0	11.6
286	198	Blue Circle 50p	261	+2	11.25	1.9	5.7	14.7
148	110	Do. 7¾pc Cv Rd Pf £1	139		7¾%	–	7.3	–
608	438	Boot (Henry) 50p	605		25.0	3.0	5.5	7.9
111	69	Breedon	104		4.6	2.1	6.0	10.5
355	335	BB & EA	355		0.5	–	0.2	–
146	73	British Dredging	143	–2	7.4	1.3	6.9	15.1
120	89	Bryant Group	108		4.8	♦	6.1	♦
86	68	Bucknall 1p	80		4.8	2.7	8.0	5.8
105	67	CALA 5p	78		3.4	♦	6.7	♦
13	2	CCS Group 20p	3		–			
85	25	CMW Group 5p	81	–1	2.88	3.3	4.7	8.5
269	187	CRH	229	–1	†Q13%	3.6	3.3	11.2
60	33	Cakebread Robey 'A'	53		‡5.0	1.1	♦	16.3
57	17	Conder Group 5p	17		0.3	–	2.4	–
40	17	Cooper Clarke Grp. 10p	22		0.5	2.0	3.0	3.2
223	95	Costain Group	101	–1	‡g12.25	–	16.2	–
150½	76½	Countryside Props.	103		4.11	3.1	5.3	8.1
133	32	Crest Nichol 10p	41	+1	‡7.45	0.5	♦	13.6
63	35	Do 5½pc Cv Rd Pf £1	39		5½%	–	18.8	–
20	9	Creston 10p	16		1.0	–	♦	–
110	53	Cussins Prop. Grp.	60		Q3.75	–	8.3	–
39	21	Denison Tyson 10p	39		1.0	2.8	3.4	13.8
580	295	Douglas (Robt. M)	585		‡10.5	3.7	2.8	12.0
12	1½	Dunton Group 5p	4					–
150	95	EBC 50p	133		8.0	2.0	8.0	7.8
47½	29	Edmond Hldgs 10p	40½		1.85	2.2	6.1	9.7
160	105	Ellis Group 10p	160		6.4	2.4	5.3	10.4
77	49	Erith	70		3.9	0.9	7.4	20.4
266	210	Ere Group	236		9.2	3.1	5.2	8.3
117	73	Evered Bardon	79	–2	5.6	1.8	9.4	7.0
26½	13½	Explaura 1/V 5p	15½					–
15	4	Fairbriar 10p	5					
5½	2	Fidlan Group 10p	5		‡1.25	3.6	♦	1.4
23	9	Freeman Group 10p	9		‡2.2			
104	71	Galliford 5p	98		8.3	1.9	11.6	5.1
35	25	Gibbs & Dandy 'A'	25		4.25	1.9	6.0	11.6
849	583	Gleeson (MJ) 10p	[illegible]					
[illegible]								

DRAPERY AND STORES – Contd

ENGINEERING

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

ELECTRICALS

CANADIANS

For Varity see Americans

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

CHEMICALS, PLASTICS

FOOD, GROCERIES, ETC

BEERS, WINES & SPIRITS

DRAPERY AND STORES

HOTELS AND CATERERS

INSURANCES

BUILDING, TIMBER, ROADS

ELECTRICITY

INDUSTRIALS (Miscel.)

LEISURE

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هكذا عن الأصل

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LEISURE – Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS – Contd

Net asset values supplied by County NatWest Wood Mackenzie & Co Ltd.
NET ASSET VALUES ARE FOR TUESDAY SEPTEMBER 24TH

FINANCE, LAND, ETC

FINANCE, LAND, ETC – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
1313	840	Siam Fd. Red. Prf...	1040	.....	–	–	–	–
518	303	Singapore SESDAQ I.t.	331	–14	–	–	–	–
58	33	Singer & Friedlander	47	....	2.5	1.7	7.1	10.8
145	95	Smith New Court..	125	....	3.5	1.2	3.7	28.0
87	61	Do. Cnv Prf 50p....	77	+1	6.5	–	11.3	–
131	122	South America Fund..	122	----	–	–	–	–
48½	44½	Do. Warrants........	44½	..	–	–	–	–
41½	25½	South East Asian Invest I.t.	33½	–14	–	–	–	–
58	27	Sterling Trust 10p..	51	+1	s4.0	0.5	10.5	(4.7)
158	133	Stratagem Grp 20p	134	..	4.0	5.6	4.0	5.9
119	50	Sumit 100p.	65	.....	t5.8	1.2	‡	8.9
260	168	Templeton Gtrh $0.01	241	.....	†Q15c	2.4	3.2	11.2
975	590	Thai Euro Fd. Ptg	785	..	–	–	–	–
£98⅛	£84½	Topdanmark DK100..	£90⅛	–⅛	Q10%	16.3	1.0	6.4
4¾	0¼	Tramwood 5p. ..	1¾	....	–	–	–	–
65	18	Tyndall Hldgs. 10p...	55	+1	♦	–	–	18.8
8¼	8¼	Warrior Industries	8¼	....	–	–	–	–
563	520	World Tst Fd $2..	547	.....	–	–	–	–
144	116	Do. Warrants.......	140	.....	–	–	–	–

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
		Australians					
53	34	ACM 50c	53	..	‡Q3c	♦	2.4
27	13	ACM Gold.	19½	.....	Q5c	♦	13.2
3	3	Arboyne 50c.	3	.....	–	–	–
36½	20	Aztec Explh..........	33	.....	Z01c	–	1.4
49	25	Bougainville 1 Kina..	33	.....	–	–	–
23	12¼	Brunswick $1........	12¼	.....	–	–	–
662	355	CRA $2.	609	+3	‡Q44c	1.9	‡
90	35	Central Pacific......	68	...	–	–	–
4	2½	Croesus Mining N L.	3	...	–	–	–
49	17	Delta Gold 25c ..	45	–1	–	–	–
42	28	Dominion Mining....	38	.....	Q4½c	♦	7.2
21	11	Doral Resources. ..	20	–1	Q1c	–	2.3
4½	1½	Dragon Mining ...	3½	+¼	–	–	–
32	20	Emperor Mines.	26	+1	–	–	–
5½	3	Forsayth NL.	4	..	–	–	–
35½	19½	GM Kalgoorlie 5c..	26	+½	–	–	–
47	29	Gwalia Cons. 20c....	34	+1	Q6c	2.2	7.8
78	35	Hadsonian Diamond $2	34	–2	–	–	–
2½	1	Jason Mining 20c	1¼	.....	–	–	–
1¼	0½	Julia Mines NL ...	0¾	...	–	–	–

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- [No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	640	......
Finlay Pkg. 5p.... β	21	......
Holt (Jos) 25p... β	1993	......

IRISH

Cap. 8½% Ln. 2010...	£93¾	+¼
9pc Cap Ln. 1996..	£98¼	......
Fin. 13% 97/02...	£114	......
Arnotts.	209	......
Heiton Hldgs......γ	37	–8
IRG..............	130	......
United Drug.......	188	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	28
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	30
Lucas Inds.	13
Marks & Spencer	21
Midland Bk	28
Nat West Bk	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	116.6	116.6	123.7	-0.1	9.39
High Inc Equity	6	136.9	140.5	149.4	+0.4	5.69
Worldwide Bond	6	210.5	210.5	223.3	-0.4	6.72
Capital Growth						
American Growth	6	201.8	201.8	215.5	+0.2	1.02
Asian Pacific	6	117.8	120.2	127.8	-0.3	1.23
Assets & Earnings	6	184.1	188.1	200.1	+0.7	2.89
Capital Reserve Acc	0	109.01	109.01	109.10	+0.04	6.96
Capital Reserve Inc	0	86.16	86.16	86.23	+0.03	6.96
Commdty & Energy	6	74.04	74.04	79.18	+0.41	1.87
1992 Enterprise	6	65.96	65.96	70.54	+0.21	3.10
Euro Capital Acc	6	88.59	88.59	94.74	+0.20	1.43
Euro Capital Inc	6	84.64	84.64	90.32	+0.19	1.44
General	6	175.2	175.2	187.3	+0.5	2.67
Japan	6	99.54	100.3	106.7	+0.6	-
Mastertrust	6	91.16	91.16	97.49	+0.15	2.63
UK Growth Acc	6	172.5	172.5	184.4	-0.4	2.46
UK Growth Dist	6	110.9	110.9	118.6	-0.2	2.47
US Emerging Cos	6	71.74	73.15	77.81	-0.29	0.00
Income & Growth	6	310.5	310.5	332.0	+1.0	4.22
Ethical	6	53.73	53.73	57.46	+0.14	2.71
International	6	62.19	63.00	67.02	+0.02	1.31
Dividend & Growth	6	50.60	51.85	55.15	+0.16	5.44
Global Gwth & Sec	6	52.22	52.50	56.85	+0.06	1.79

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1089.0	1089.0	1147.0	...	0

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	30.32	30.32	32.16	+0.08	2.47
Cash	-	50.26	50.26xd	50.26	+0.01	9.78
European	5¼	70.64	70.64	74.98	-0.03	0.30

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	£18.38	18.38	19.40		0.76
Progressive Acc	5	£27.70	27.70	29.23		0.76
International Inc	5	£19.41	19.41	20.49	+0.05	0.97
International Acc	5	£26.34	26.34	27.80	+0.06	0.97
Can & Foreign Inc	5	227.6	227.6	240.2		0.52
Can & Foreign Acc	5	272.0	272.0	287.1		0.52
Special Sits Inc	5	205.1	205.1	216.5		0.69
Special Sits Acc	5	222.8	222.8	235.1		0.69
PEP Inc	5	137.8	141.4	149.2		1.69
PEP Acc	5	147.1	150.9	159.3		1.69
Growth Inc	5	80.65	80.65xd	85.12		0.42
Growth Acc	5	81.64	81.64	86.16		0.42

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	122.5	122.5	131.0	-1.2	3.37
Dolphin Dividend	5½	59.68	59.68	63.82	+0.25	5.77
Dolphin Intl Inc & Gth	5½	156.9	156.9	167.8	+0.1	4.23
Dolphin UK & Gen	5½	34.45	34.45xd	36.84	-0.2	3.12
Dolphin Fund of Funds	5½	47.59	49.82	53.28	+0.26	1.20

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	80.17	81.61	87.28	+0.29	2.71
Do (Accum)	6	84.90	86.42	92.43	+0.26	2.71
Service Cos	6	68.27	68.27	73.01	+0.08	2.46
Do (Accum)	6	71.82	71.82	76.81	+0.08	2.46
Income Growth	6	43.93	43.93	46.99	+0.06	5.18
Do (Accum)	6	61.86	61.86	66.16	+0.08	5.18
Higher Yield	6	33.49	33.49	35.82	-0.49	5.18
Do (Accum)	6	42.27	42.27	45.21	-0.62	5.18
American Gth Inc	6	32.31	32.31	34.56	-0.16	1.28
Do (Accum)	6	32.93	32.93	35.22	-0.17	1.28
European Growth	6	25.17	25.17xd	26.92	-0.04	1.88
Do (Accum)	6	26.03	26.03	27.84	-0.05	1.88
Global Bond Inc	6	23.10	23.16	24.77	-0.04	6.58
Do (Accum)	6	26.69	26.76	28.62	-0.05	6.58
Managed P'folio Inc	6	25.76	25.84xd	27.64	-0.02	-
(Do Accum)	6	25.76	25.84	27.64	-0.07	-

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	136.6	136.6xd	145.3	+0.2	4.09
Gilt & Fxd Int	5	151.2	151.2xd	159.8	-0.2	7.96
Intl Growth	5¼	147.5	147.5	156.9	+0.1	0.45
North American ♥	5¼	98.43	98.43	104.7	+0.4	0.33
Far East	5¼	116.2	116.2	123.6	+0.1	0.52
UK Smaller Cos	5¼	108.1	108.1	115.0	+0.1	2.76
European	5¼	53.43	53.43	56.97	-0.19	1.15
Japanese Growth	5¼	37.27	37.27	39.89	+0.13	0.00
Managed P'folio	5¼	49.94	50.28	53.49	+0.1	1.55
High Income	5¼	150.4	152.1xd	161.8	+0.6	5.77
High Yielding Gilt	3¼	61.64	61.64	64.88	...	9.61
Cash		51.96	51.96	51.96	+0.01	9.03

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	300.9	300.9	320.6	-0.2	1.31
(Accum Units)	5	352.0	352.0	375.1	-0.2	1.31
British	5	826.1	826.1	874.0	+2.6	5.47
(Accum Units)	5	1357.2	1357.2	1436.9	+4.2	5.47
European	5	330.4	330.4	351.8	+0.5	1.49
(Accum Units)	5	354.1	354.1	377.1	+0.6	1.49
Japan	5	116.0	116.0	123.1	+1.1	-
(Accum Units)	5	116.9	116.9	124.0	+1.1	-
New Pacific	5	164.8	164.8	175.1	-0.3	2.00
(Accum Units)	5	169.2	169.2	179.8	-0.3	2.00
PEP Sept 18	5	143.3	145.5	154.0	+0.6	3.64
Mngd Equity	5	123.0	124.8	132.1	+0.2	3.50
Mngd Equity Acc	5	130.5	132.4	140.1	+0.2	3.50
Mngd Cash	5	97.18	97.18	100.0	.....	10.21
(Accum Units)	5	115.1	115.1	118.5	.....	10.21
New Fixed Int Acc Aug 28	5	122.8	122.8	129.8	-0.2	6.77
Majority Stlg	1	101.20	101.20	102.21	+0.02	10.09
Majority Stlg Acc	1	106.15	106.15	107.21	+0.02	10.09

Stonehaven Intl Inv Mngrs Ltd (1200)F

Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex

Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Sept 13	3	50.91	50.91	51.46	....	9.46

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Alliance House, Horsham 0403 56293

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	614.3	621.7	664.9	+0.6	3.07
North America	6	77.62	77.62	83.02	+0.35	1.04
Far East	6	88.87	89.93	96.18	+1.18	1.21
W'wide Bond	6	48.02	48.02	51.09	-0.01	6.13
European	6	66.65	66.65	71.28	-0.09	1.29
Equity Income	6	71.92	71.92	76.92	+0.17	5.27
Portfolio	6	58.24	58.24	62.29	+0.08	1.98

Sun Life of Canada Unit Mgrs Ltd (1000)H

Basing View, Basingstoke, Hants 0800 525725

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	25.55	25.55	27.33	+0.06	0.63
Managed Assets	6	104.39	105.10	112.41	+0.17	3.69
UK Income	6	33.30	33.80	36.16	+0.05	4.45
UK Growth	6	33.22	33.63	35.97	+0.05	3.18
Worldwide Growth	6	24.49	24.49	26.20	+0.02	0.94

Sun Life Trust Mngmt Ltd (1200)H

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Sep 19	509.13	512.80	.....	2.39
Gross Sep 19	188.71	190.23	.....	10.25
High Yield Sep 19	298.04	300.44	.....	7.32

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	54.17	56.27	+0.06	3.64

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1196	1289	—	-
Mngd Pens (Acc)	70.9	73.6	—	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sept 5	£2440.8	2680.0	+5.00	6.00
Inc 6th Prp Apr 16	£1,325.8	1,400.0	.....	7.20

Lazard Investors Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Sept 26	£3873.1	4048.9	+54.00	4.02
European Sept 26	£543.4	548.8	-2.70	2.07
American Sept 26	£354.4	358.1	+4.40	2.27
Japan Sept 26	£517.1	525.5	+12.10	1.24
Pacific Sept 26	£137.0	140.5	-0.90	1.97
W Midlands Aug 30	£144.50	161.30	.....	2.48

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Aug 31	199.20	203.20	.....	7.39
Equity Aug 31	915.40	928.20	+29.95	3.82

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Sept 20		104.29	+0.3	10.33
(Accum Units)		599.29	+0.3	10.33
NAACIF Sept 17		43.30	-0.1	9.08

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Sept 24	128.8	138.0	—	3.71
UK Small Co † Sept 24	358.9	387.8	—	3.42
Fixed Interest † Sept 24	111.2	117.0	—	8.53
US Small Co Sept 24	165.9	177.4	—	0.00

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	108.8	114.5	+0.1	-
Pension Managed Fd	108.3	114.0	+0.2	-
Life Deposit Fd	109.6	115.3	----	-
Pension Deposit Fd	115.7	121.8	----	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	115.1	121.2	----	-
Managed Growth	140.7	148.2	+0.1	-
Managed Opportunity	141.0	148.5	----	-
NFMC Target Financial	107.0	112.7	----	-
Pension Funds				
Managed Cautionary	125.6	132.3	----	-
Managed Growth	148.9	156.8	+0.1	-
Managed Opportunity	141.2	148.7	----	-
NFMC Target Mngd Pens	1573.3	1656.2	+5.2	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	167.5	176.4	+0.2	-
UK Equity	179.6	189.1	-0.1	-
Overseas Equity	132.2	139.2	+0.7	-
Fixed Interest	152.0	160.0	-1.2	-
Property	136.4	143.6	+0.5	-
Index Linked	150.8	158.8	+0.2	-
Deposit	161.6	170.2	+0.3	-
With Profits (B)	132.3	139.3	+0.2	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	359.4	378.4	+0.2	-
UK Equity	457.0	481.1	----	-
Overseas Eq	346.8	365.1	+0.7	-
American	287.2	302.4	-0.1	-
Far East	369.3	388.8	+2.3	-
Property	194.7	205.0	----	-
Fixed Int	269.3	283.5	----	-
Indexed Gilt	160.1	168.6	----	-
[illegible]				

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	232.6	245.4	+0.1	-
UK Fixed Int Acc	185.5	195.7	-0.6	-
Intl Equities Acc	174.9	184.5	+0.4	-
UK Managed Acc	177.4	187.1	+0.4	-
Property Acc	226.5	239.0	+2.4	-
Money Acc	131.6	138.9	----	-
Special Market Acc	147.4	155.5	+1.3	-
Japan Equity Acc	101.4	107.0	+0.5	-
North American Acc	104.0	109.8	+0.4	-
Pacific Acc	92.1	97.2	+0.1	-
Technology Acc	121.5	128.2	+0.4	-
Nat Resources Acc	54.0	57.0	+1.3	-
European Acc	102.7	108.4	+0.2	-
Residential Prop Acc	96.4	101.7	----	-
Swiss Equities Acc	33.7	35.6	----	-
Hong Kong Acc	66.1	69.8	+0.2	-
UK High Inc Eq Acc	76.3	80.5	-0.1	-
Int Fixed Interest Acc	59.7	63.0	----	-
Int Managed Acc	56.7	59.8	+0.3	-
HIP Managed Acc	118.7	125.2	+0.2	-
HIP Managed II Acc	103.2	108.8	+0.3	-
HIP Managed III Acc	110.1	116.1	+0.3	-
Total Investment Bond				
UK Equity Initial		158.0	+0.1	-
UK Fixed Int Initial		126.2	-0.4	-
Intl Equities Initial		118.1	+0.3	-
UK Managed Initial		120.7	+0.3	-
Property Initial		155.2	+1.6	-
Money Initial		90.0	----	-
Special Market Initial		114.3	+1.0	-
Japan Equity Initial		78.6	+0.3	-
North American Initial		80.7	+0.3	-
Pacific Initial		71.4	+0.1	-
Technology Initial		94.2	+0.3	-
Nat Resources Initial		41.9	+1.0	-
European Initial		92.0	+0.2	-
Residential Prop Init		92.0	----	-
Swiss Equities Initial		32.2	----	-
Hong Kong Initial		63.1	+0.1	-
UK High Inc Eq Init		72.8	-0.1	-
Int Fixed Interest Init		57.7	----	-
Int Managed Init		54.9	+0.1	-
HIP Managed Init		115.2	+0.1	-
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OFFSHORE INSURANCES

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Australia	$16.57	17.40	+0.13	1.05
Japan Tech	$61.93	65.93	+1.11	–
Japan Fund	$25.99	27.29	+0.22	0.17
Japan New Gnrtn Fd	$20.28	21.90	+0.40	–
Malay Sing	$50.98	53.53	−0.52	0.31
Nth American	$21.93	23.03	+0.11	0.58
Octopus Fund	$21.06	22.12	−0.01	0.88
Pacific Fd	$62.02	65.13	+0.29	–
International Bond	$17.31	18.18	+0.01	6.89
Europa Fund	$13.88	14.58	+0.04	–
British Screen Fd	£0.95	1.00	.....	–
Trinstar Warrant	$10.10	10.61	−0.05	–
Hong Kong	$48.42	50.85	+0.09	3.09
Mngd Portfolio (Stlg)	£4.23	4.56	.....	–
Mngd Portfolio (Dllr)	$10.36	10.94	+0.04	–
Currency Fd-Sterling	£19.43		+0.01	–
Currency Fd-US Dollar	$35.92		+0.01	–
Curr Fd-Deutschmark	DM40.41		+0.02	–
Curr Fd-Managed $	$44.73	46.96	+0.04	–

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

Institutional Serv Series*	$1.00	—	5.55
Investment Series*	$1.00	—	5.55

*Annualised Yield

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey

TSB Offshore Investment Fund Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price
Stg Deposit Class	3	103.79	103.79	106.90
Gilt & Fixed Interest	3	106.64	106.64	109.87
Blue Chip & Gilt Edged	5	51.86	51.86	55.22
International Bond	5	110.62	110.62	116.16
UK Equity	5	132.91	132.91	144.44
International Equity	5	117.07	117.07	125.28
Far Eastern	5	89.03	89.03	95.42
European	5	89.55	89.55	94.79
Pan American	5	147.57	147.57	157.26

TSB Gilt Fund Ltd

Quarterly Share	3	99.92	99.92	103.24
Monthly Share	3	97.83	97.83	101.07

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

JERSEY (REGULATED)(**)

Barclays Intl Funds

Currency Funds

Sterling	£21.07	−0.01
US Dollar	$31.28	+0.01
Deutschemark	DM54.73	+0.01
Yen	Y4,019	

LUXEMBOURG (SIB RECOGNISED)

Henderson Management SA (u)

21-25 Allee Scheffer L-2520 Luxembourg 071-638 5757 or 010-352 462232

Henderson Horizon Fund

		Bid Price	Offer Price	+ or −
Japanese Portfolio	$-	11.61	12.26	+0.09
Japan Smllr Cos P'fio	$-	26.84	28.35	+0.32
Pacific Portfolio	$-	13.19	13.93	.....
Nth American P'folio	$-	5.53	5.85	+0.02
European Portfolio	$-	6.41	6.79	+0.01
UK Portfolio	$-	6.42	6.80	+0.01
Global Portfolio	$-	9.77	10.32	+0.02
Fixed Int. Portfolio	£-	9.36	9.83	.....
Stlg Liquidity P'folio	£-	1.0861	1.1380	+0.0002

LUXEMBOURG (REGULATED)(**)

Wardley Investment Services - Contd.

		Bid Price	Offer Price	+ or −
US Dollar Bond	$-	9.96	10.49	.....
Intl Managed Bond	$-	12.35	13.00	−0.01
Sterling Reserve	£-	5.06	5.33	−0.01
US Dollar Reserve	$-	9.79	10.31	.....

Target International Ltd

Intl Growth Fd ..... $21.93 23.0079 −0.0318

Templeton Worldwide Investments

Growth Portfolio

Class A-1 $	$9.71	.....
Class A-2 $	$10.91	.....
Class A-3 $	$10.28	.....
Class B-1 $	$9.52	.....
Class B-2 $	$10.72	.....

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GT Management Plc - Contd.

	Bid Price	+ or −	Yield Gross
GT Berry Japan Fd (z)	$28.69	−0.12	0.83
GT Berry Jap Stlg(z)	£18.25	−0.11	–
GT Biotech Hlth Fd (z)	$20.20		
GT Bond Fund (z)	$17.48	−0.03	7.44
GT Deutschland Fd (z)	$11.83	+0.08	
GT Dollar Fd. (z)	$22.72	+0.07	0.69
GT Emerging Mkts	$11.67xd		0.89
GT Europe Fund (z)	$31.95	+0.09	0.06
GT Euro Small Cos (z)	$32.07		
GT Global Small Cos(z)	$17.38	+0.42	0.27

NM Financial Mngt Intl Ltd

Int. Resident Prop Fd. £0.756 0.808 −0.001 0.00

The New Zealand Fund

Manager: Leadenhall Offshore Ltd

The NZ Fund $5.56 5.95

Newport International Management

Npt. Intl. Securities	$40.58	
Npt. Intl. Inc. Fd	$20.10	
Npt. Pacific (10-1)	$2.82	

Nomura Warrant Fund 1990 Ltd

...

	Bid Price	Offer Price	+ or −	Yield Gross
Eurobond	$33.66	35.35		–
Money (z)	$37.76	39.66	(z)	6.84
Mortgage (z)	C$16.58	17.41	(z)	–
North American	$44.14	46.36	+0.07	–
Overseas	$26.59	27.93	+0.04	–
Pacific Gold	$3.32	3.49	+0.04	–
Tiger	$41.35	43.42	−0.11	–

Wardley Investment Services Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Wardley S.E. Asia Tst	$12.73	13.44	+0.09	0.88
Japanese Warrants	$7.51	7.96	−0.18	–
Asian Warrants	$9.96	10.55	−0.10	–
European Warrants	$4.93	5.25	+0.14	–
Managed	HK$10.22	10.89	+0.10	–
Private Capital Tst	$19.95		+0.02	–

Wellington Fd Mngrs (Bermuda) Ltd

Intnl Growth Fd	$12.95	13.60	.....	–

Wells Fargo U.S. IT Fund

Wells Fargo A Shs (z)	$11.14		–
Wells Fargo B Shs (z)	$11.90	−0.05	–

Xiphias International Investment Fd Ltd

Xiphias Int USD	$1.0504		–
Xiphias Int ECU	Ecu1.0608		–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities) x Offered price includes all expenses except agent's commission. z Previous day's price. ⊕ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase, all ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US goods data boosts dollar

THE DOLLAR rose yesterday after the US Commerce Department reported a smaller decline in durable goods orders than had been expected in the market.

The 3.8 per cent fall in durable goods during August compared with expectations of a 4.5 per cent drop and the 11.2 per cent increase in July.

After the relase of the official data, the dollar moved up towards the highs struck the previous day, reaching DM1.6855, or about a pfennig above the opening levels in Europe.

However, the dollar only momentarily held at the new higher levels. There was not much buying interest behind the dollar's advance and, as analysts examined the figures, doubts began to creep in as to whether the initial optimism had been overdone.

Once a large increase in defence orders was excluded, durable goods fell by 5.2 per cent. Furthermore, durable shipments and unfilled orders data did not point to a strong rebound in the economy, said Mr David Cocker of Chemical Bank.

With many of the latest economic reports pointing towards a weak recovery in the US there are fears that Federal Reserve will again cut interest rates.

But a large dollar decline is being prevented by signs that *some of the longer-term investment institutions are begining* to believe the dollar is looking cheap. Some technical analysts also say that the US currency should begin to rally.

For now, the market appears happy to leave the dollar to drift in a range of DM1.66 to DM1.69 and there are no obvious signs of when it will break out.

The dollar closed higher at DM1.6825 from DM1.6685; at SFr1.4650 from SFr1.4510; at Y133.25 from Y132.85; and at FFr5.7325 from FFr5.68.

The unexpected cut in New Zealand interest rates depressed the New Zealand dollar and it was given further prod downwards by the central bank's statement that there was room for the currency to fall and there could be another easing. *The US dollar fell to* 0.5738 New Zealand dollars from 0.5738.

Within the European *exchange rate mechanism, the* Spanish peseta recovered slightly amid suggestions that the Bank of Spain had been intervening in the currency markets. This was later denied by the Bank of Spain. The D-Mark fell back from early highs of Pta63.25 to Pta63.10, against a previous close of Pta 63.14.

Sterling was steady amid signs that the markets are begining to discount the possibility that there will not be a general election this year. Talk that a reduction in rates will not take place until later in the year also boosted the pound.

Sterling closed higher at DM2.9150 from DM2.9125; at SFr2.5400 from SFr2.5325; at FFr9.9375 from FFr9.9125; but eased to $1.7335 from $1.7450; and to Y231.00 from Y231.75. *Sterling's index closed* unchanged at 91.0.

£ IN NEW YORK

Sep.25	Latest	Previous Close
£ Spot	1.7340-1.7350	1.7265-1.7275
1 month	0.76-0.74pm	0.78-0.76pm
3 months	2.04-2.01pm	2.08-2.05pm
12 months	6.78-6.68pm	6.82-6.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.25	Previous
8.30 am	91.0	90.9
9.00 am	91.0	90.9
10.00 am	91.0	90.9
11.00 am	91.0	90.9
Noon	91.0	90.9
1.00 pm	91.0	90.9
2.00 pm	91.0	91.0
3.00 pm	91.0	91.1
4.00 pm	91.0	91.0

CURRENCY MOVEMENTS

Sep 25	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.6
U.S Dollar	64.8	-14.8
Canadian Dollar	106.2	+3.5
Austrian Schilling	109.1	+11.6
Belgian Franc	110.7	-2.3
Danish Krone	108.5	+3.2
D-Mark	117.4	+24.3
Swiss Franc	109.9	+18.8
Dutch Guilder	113.5	+15.8
French Franc	102.2	-13.4
Lira	98.6	-19.8
Yen	139.3	+72.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.24

CURRENCY RATES

Sep 25	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.784621	0.701948
U.S Dollar	5.50	1.36171	1.21963
Canadian $	8.78	1.54391	1.38343
Austrian Sch	7.50	16.0750	14.4124
Belgian Franc	8.00	47.0539	42.2116
Danish Krone	9.50	8.81435	7.90384
D-Mark	7.50	2.28522	2.04813
Dutch Guilder	8.00	2.57050	2.30852
French Franc	10¼	7.78830	6.97936
Italian Lira	11½	1711.06	1531.25
Japanese Yen	5.50	180.971	162.419
Norway Krone	8	8.93797	8.01666
Spanish Peseta	-	143.970	129.309
Swedish Krona	10.00	8.33026	7.47148
Swiss Franc	7.00	1.99218	1.78433
Greek Drach	19	N/A	227.915
Irish Punt	-	N/A	0.766150

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep.24

OTHER CURRENCIES

Sep 25	£	$
Argentina	17181.4 - 17397.0	9900.00 - 9910.00
Australia	2.1765 - 2.1785	1.2540 - 1.2545
Brazil	779.030 - 780.010	449.400 - 449.700
Finland	7.1050 - 7.1175	4.0930 - 4.0960
Greece	321.700 - 326.850	185.320 - 188.280
Hong Kong	13.4350 - 13.4480	7.7455 - 7.7475
Iran	115.80*	68.50*
Korea(Sth)	1272.95 - 1293.45	738.20 - 747.00
Kuwait	0.50000 - 0.50100	0.28885 - 0.28900
Luxembourg	60.00 - 60.10	34.60 - 34.70
Malaysia	4.7590 - 4.7670	2.7445 - 2.7465
Mexico	5295.85 - 5302.35	3055.00 - 3057.00
N.Zealand	3.0210 - 3.0245	1.7400 - 1.7420
Saudi Ar	6.4625 - 6.5395	3.7500 - 3.7510
Singapore	2.9345 - 2.9415	1.6915 - 1.6935
S.Af (Cm)	4.8895 - 4.9000	2.8200 - 2.8215
S.Af (Fn)	5.3755 - 5.4600	3.0960 - 3.1445
Taiwan	46.00 - 46.10	26.50 - 26.55
U.A.E.	6.3280 - 6.4045	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.309	-3.23	4.61	56
Belgian Franc	42.4032	42.2116	-0.45	1.68	25
Italian Lira	1538.24	1531.25	-0.45	1.68	26
D-Mark	2.05586	2.04813	-0.38	1.60	28
Dutch Guilder	2.31643	2.30852	-0.34	1.57	20
Irish Punt	0.767417	0.766150	-0.17	1.39	11
Sterling	0.696904	0.701948	0.72	0.49	-15
Danish Krone	7.84195	7.90384	0.79	0.43	-33
French Franc	6.89509	6.97936	1.22	0.00	-63

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7290 - 1.7405	1.7330 - 1.7340	0.76-0.74cpm	5.19	3.73-3.68pm	8.55
Canada	1.9640 - 1.9725	1.9680 - 1.9690	0.38-0.30cpm	2.07	0.96-0.83pm	1.82
Netherlands	3.2820 - 3.2925	3.2825 - 3.2925	½-¼cpm	1.37	¾-⅝pm	0.91
Belgium	59.95 - 60.20	60.00 - 60.10	11-7cpm	1.80	26-8pm	1.13
Denmark	11.2385 - 11.2720	11.2500 - 11.2600	1⅛-½orepm	0.87	1½-½pm	0.36
Ireland	1.0880 - 1.0960	1.0900 - 1.0910	0.05-parpm	0.28	0.13-0.03pm	0.29
Germany	2.9125 - 2.9180	2.9125 - 2.9175	⅜-¼pfpm	1.29	¾-⅝pm	0.94
Portugal	250.00 - 251.75	250.75 - 251.75	3-74cdis	-1.84	151-224dis	-2.99
Spain	183.70 - 184.60	183.70 - 184.00	23-32cdis	-1.79	80-95dis	-1.90
Italy	2177.35 - 2182.05	2180.75 - 2181.75	1-3liredis	-1.10	5-7dis	-1.10
Norway	11.3850 - 11.4280	11.3850 - 11.3950	⅛-½oredis	-0.33	½-1½dis	-0.33
France	9.9250 - 9.9450	9.9325 - 9.9425	1¼-⅞cpm	1.28	2¼-1⅞pm	0.78
Sweden	10.6225 - 10.6540	10.6225 - 10.6325	½-parorepm	0.28	⅛-⅜dis	-0.16
Japan	230.50 - 231.50	230.50 - 231.50	¾-⅝ypm	3.57	2¼-2pm	3.68
Austria	20.49 - 20.53	20.50 - 20.53	2¼-1⅝gropm	1.28	4¼-3½pm	0.74
Switzerland	2.5350 - 2.5450	2.5350 - 2.5450	⅝-⅜cpm	2.36	1⅝-1¼pm	2.07
Ecu	1.4205 - 1.4265	1.4215 - 1.4225	0.10-0.04cpm	0.59	0.21-0.04pm	0.35

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.73-3.68cpm . 12 Month 6.84-6.74cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7290 - 1.7405	1.7330 - 1.7340	0.76-0.74cpm	5.19	3.73-3.68pm	8.55
Ireland†	1.5875 - 1.5935	1.5900 - 1.5910	0.64-0.59cpm	4.64	1.88-1.78pm	4.60
Canada	1.1330 - 1.1350	1.1340 - 1.1350	0.28-0.31cdis	-3.12	0.79-0.84dis	-2.87
Netherlands	1.8890 - 1.8995	1.8960 - 1.8970	0.59-0.62cdis	-3.83	1.78-1.83dis	-3.81
Belgium	34.55 - 34.70	34.60 - 34.70	9.00-13.00cdis	-3.81	29.00-36.00dis	-3.75
Denmark	6.4685 - 6.5190	6.4900 - 6.4950	2.20-2.50oredis	-4.34	6.75-7.35dis	-4.34
Germany	1.6760 - 1.6865	1.6820 - 1.6830	0.52-0.53pfdis	-3.74	1.56-1.58dis	-3.73
Portugal	144.50 - 144.85	144.75 - 144.85	85-95cdis	-7.46	270-290dis	-7.73
Spain	105.85 - 106.95	106.05 - 106.15	60-66cdis	-7.13	172-182dis	-6.67
Italy	1252.75 - 1260.00	1258.00 - 1258.50	6.10-6.60liredis	-6.06	18.00-19.00dis	-5.88
Norway	6.5610 - 6.5975	6.5675 - 6.5725	2.80-3.10oredis	-5.39	8.10-8.60dis	-5.08
France	5.7120 - 5.7400	5.7300 - 5.7350	1.86-1.91cdis	-3.95	5.60-5.70dis	-3.94
Sweden	6.1130 - 6.1510	6.1275 - 6.1325	2.40-2.65oredis	-4.94	7.15-7.60dis	-4.81
Japan	132.85 - 133.30	133.20 - 133.30	0.16-0.17ydis	-1.49	0.35-0.37dis	-1.08
Austria	11.8000 - 11.8620	11.8280 - 11.8350	3.90-4.30grodis	-4.16	11.20-12.40dis	-3.99
Switzerland	1.4585 - 1.4680	1.4645 - 1.4655	0.30-0.34cdis	-2.62	0.94-0.99dis	-2.63
Ecu†	1.2150 - 1.2210	1.2175 - 1.2185	0.48-0.45cpm	4.58	1.38-1.32pm	4.43

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝ - 10⅜	10⅝ - 10⅜	10⅝ - 10⅜	10⅝ - 10¼	10⅜ - 10¼	10¼ - 10⅛
US Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝
Can. Dollar	8¼ - 8⅛	8⅜ - 8¼	8⅜ - 8¼	8⅛ - 8	8⅛ - 8	8⅜ - 8¼
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½	8⅛ - 8	8⅛ - 8	7⅞ - 7¾
D-Mark	9⅛ - 8⅞	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	11½ - 10½	11½ - 11	11½ - 11	11½ - 11	11¾ - 11½
Belgian Franc	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼
Yen	7⅛ - 7	7⅝ - 7½	7 - 6⅞	6⅝ - 6½	6⅝ - 6½	6⅛ - 6
Danish Krone	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Asian $Sing	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	6⅛ - 6	6⅜ - 6¼

Long term Eurodollars: two years 6½-6⅜ per cent; three years 7-6⅞ per cent; four years 7⅜-7¼ per cent; five years 7⅝-7½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.25	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.734	2.915	231.0	9.938	2.540	3.288	2181.	1.969	60.05	1.422
$	0.577	1	1.681	133.2	5.731	1.465	1.896	1258	1.136	34.63	0.820
DM	0.343	0.595	1	79.25	3.409	0.871	1.128	748.2	0.675	20.60	0.488
YEN	4.329	7.506	12.62	1000.	43.02	11.00	14.23	9442	8.524	260.0	6.156
F Fr.	1.006	1.745	2.933	232.4	10.	2.556	3.309	2195	1.981	60.42	1.431
S Fr.	0.394	0.683	1.148	90.94	3.913	1	1.294	858.7	0.775	23.64	0.560
H Fl.	0.304	0.527	0.887	70.26	3.023	0.773	1	663.3	0.599	18.26	0.432
Lira	0.459	0.795	1.337	105.9	4.557	1.165	1.508	1000.	0.903	27.53	0.652
C$	0.508	0.881	1.480	117.3	5.047	1.290	1.670	1108	1	30.50	0.722
B Fr.	1.665	2.888	4.854	384.7	16.55	4.230	5.475	3632	3.279	100.	2.368
ECU	0.703	1.219	2.050	162.4	6.989	1.786	2.312	1534	1.385	42.23	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	92.07	92.08	92.04	92.01
Mar	92.46	92.48	92.42	92.42
Jun	92.66	92.65	92.65	92.61
Sep	92.80			92.75

Estimated volume 1909 (3651)
Previous day's open int. 18436 (17524)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2608.0	2610.0	2596.0	2589.0
Dec	2657.5	2658.0	2645.0	2636.0
Mar	2693.5	2683.0	2679.0	2672.0

Estimated volume 10327 (9121)
Previous day's open int. 41399 (42181)

FT-SE EUROTRACK 100 INDEX
[illegible] per full index point

	Close	High	Low	Prev.
Dec	1135.0			1131.0
Mar				

Estimated volume 0 (33)
Previous day's open int. 208 (175)

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7335	1.7260	1.7132	1.6964	1.6656

CHICAGO

[illegible]

PARIS

[illegible]

ECU BOND (MATIF)

December	106.72	106.66	-0.02	106.74	106.56	8.96	4,118
March	-	106.66	-0.02	-	-	8.96	536

Estimated volume 1,701 Total Open Interest 4,654

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	-	-	0.08	0.34	-
105	1.91	-	-	0.20	0.58	-
106	1.17	1.84	-	0.42	-	-
107	0.63	1.10	-	0.87	1.32	-
Open Int.	100,432	33,145	2,150	80,416	33,460	7,650

Estimated volume 21,248 Total Open Interest 257,253

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Cyprus	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	11	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk.	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates hold firm

UK money rates remained firm yesterday as the Bank of England continued to leave the market short of liquidity as a way of preventing sterling slipping within the European exchange rate mechanism.

For the second day running, the Bank failed to supply the money market with sufficient liquidity to meet its daily credit needs. It only bought £503m of bills compared with an estimated shortage of £550m.

The pound has recently become more vulnerable to speculation about the date of the next general election, *particularly after a string of* opinion polls put the Conservative party close to the opposition Labour party.

Senior money dealers believe the Bank has attempted to calm a more nervous foreign exchange market by draining liquidity from the credit system, thereby pushing up short-term interest rates.

Three-months money was at 10 11/16-⅝ per cent, up from 10⅝-½ per cent; six months was off 1/16 at 10 7/16-5/16 per cent; and twelve months was unchanged at 10 5/16-3/16 per cent.

In the futures market, short-term interest rate contracts moved higher on suggestions that an opinion poll published today will put the Conservative party ahead of Labour. December short sterling closed at 90.15, up 4 points, implying an interest rate of 9.85 per cent by the end of that month.

In its daily operations, the Bank of England bought £376m of bills before lunch. During the afternoon it purchased a further £67m and provided late assistance of £60m. All the bills bought were in bands 1 and 2 at unchanged rates of 10⅜ per cent.

In Frankfurt call money was steady at 8.95-9.05 per cent. *Rates were underpinned by the* expectation that funds will be drained on Friday when bank pension payments are due. With banks also needing funds to meet minimum reserve requirement at the Bundesbank, credit is also likely to be in shorter supply.

The Bundesbank accepted bids for DM10.7bn at this week's tender for 28-day securities repurchase funds, allocating most funds at nine per cent. With a repurchase pact worth DM10.3bn expiring, the Bundesbank has injected DM400m into the market.

The Bundesbank said banks bid for DM36.9bn marks of repurchase funds. It accepted 28 per cent of the bids made at the lower allocated rate of nine per cent.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.25) 3 months US dollars		6 months US Dollars	
bid 5½	offer 5½	bid 5⅝	offer 5 11/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8	One month	5.22	Three year	6.37
Broker loan rate	7¼	Two month	5.47	Four year	6.66
Fed.funds	5⅜	Three month	5.33	Five year	7.04
Fed.funds at intervention	-	Six month	5.44	Seven year	7.37
		One year	5.52	10-year	7.56
		Two year	6.11	30-year	7.88

Sep.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.05	8.95-9.10	9.00-9.15	9.05-9.20	9.20-9.35	9.25
Paris	9¼-9⅜	9⅜-9⅝	9¼-9½	9⅜-9⅝	9¼-9½	9.25
Zurich	7¾-7⅞	8-8¼	-	8-8¼	-	-
Amsterdam	8.87-9.00	9.15-9.20	-	9.25-9.30	-	-
Tokyo	6⅝-6⅞	6⅝-6⅞	-	6⅝-6⅞	-	-
Milan	10¾-11	11¼-11½	-	11¼-11½	-	-
Brussels	9.12-9.25	9¼-9½	-	9¼-9½	-	-
Dublin	10-10¼	10-10¼	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Sep 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10 11/16	10¼	10 11/16	10⅝	10¼	10 3/16
Interbank Bid	9	10½	10½	10¼	10⅛	10 1/16
Sterling CDs	-	-	10 11/16	10½	10⅜	10⅛
Local Authority Deps.	10⅝	10 11/16	10⅝	10¼	10 5/16	10 3/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10 9/16	-	-	-	-
Company Deposits	-	-	10⅞	10⅞	10⅝	10⅝
Finance House Deposits	-	-	10⅝	10⅝	10⅜	10⅜
Treasury Bills (Buy)	-	-	10 3/16	9⅞	9⅝	-
Bank Bills (Buy)	-	-	10⅜	9 15/16	9⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	5.50	5.45	5.65	5.80
SDR Linked Dep. Offer	-	-	7¾	7¾	7¾	7¾
SDR Linked Dep. Bid	-	-	7⅝	7½	7⅝	7½
ECU Linked Dep. Offer	-	-	9 13/16	9 13/16	9 13/16	9 13/16
ECU Linked Dep. Bid	-	-	9¾	9¾	9¾	9¾

Treasury Bills (sell); one-month 10 1/16 per cent; three months 9⅞ per cent; six months 9¾ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.6695 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 30 ,1991 . Agreed rates for period Sept.25, 1991 to October 25 , 1991, Scheme I: 12.08 p.c., Schemes II & III: 12.17 p.c. Reference rate for period August 1, 1991 to August 30 , 1991, Scheme IV&V: 10.950 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 . Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

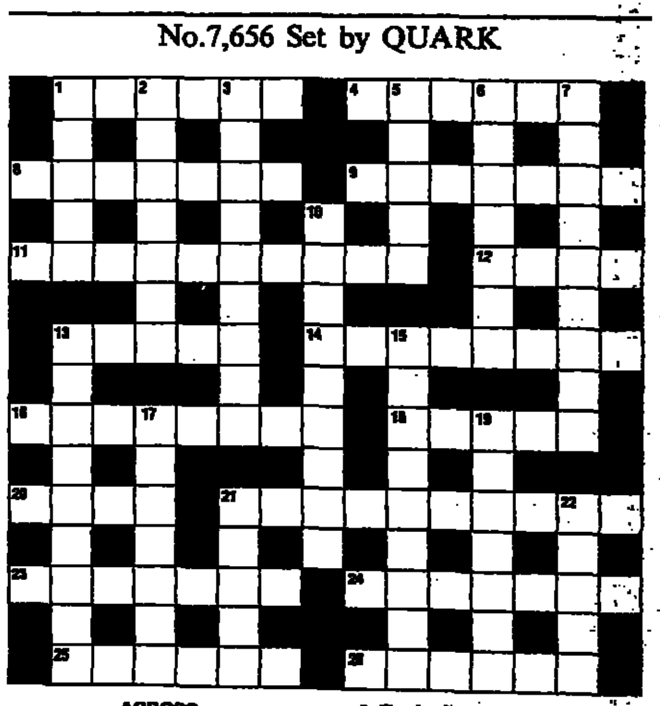
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,656 Set by QUARK



ACROSS

1, 4 Source of material for the plot? (6,6)
8 Company knits in variety stored on the premises (2,5)
9 Genius worried about circle of fire (7)
11 A language stored in the head (German territory?) (10)
12 They're often done up in matches (4)
13 Foreign letter seen in epithet abroad (5)
14 It's not conventional in class to introduce a beginner (8)
16 Lout made moves to change the tone (8)
18 Complete circuit or part? (5)
20 Declined without referee? That's not new (4)
21 Use a crude form of railing (10)
23 Extent of land seen by queen in coach (7)
24 Rest by a valley in sound fortress (7)
25, 26 Sets pure note when playing. It's where one's abilities lie (2,4,6)

DOWN

1 Sail for port? (5)
2 Go over outline again and recall the steps (7)
3 Each land one's touring round will provide a spicy dish (9)
5 A birdie? Not exactly (5)
6 Wet tree prepared for the loudspeaker (7)
7 Former root with top eaten off: insect full of life (9)
10 Programme for party: it's evident there's a ball (9)
13 First of the French painter's collection for the bride (9)
15 What on earth can help to catch the criminal? (9)
17 Down? Turn to experience (7)
19 Anger at the pub attack (7)
21 Express opinion there's nothing in evil (5)
22 Deal with incomplete contract (5)

Solution to Puzzle No.7,655

LOCARNO FANATIC
A L U F H E I O
SWELL FLOORPLAN
T A B C S V E T
WORKSHEET ELDER
A A N E C
RENTS TECHNICAL
C T R H D R
PHENOMENA SPEED
A N R M E
PRUNE GOLDCOAST
Y N W L O O T R
RADIOMAST VIOLA
U E R S T E N I
STROKES EARLYON

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES

	Sep 24	Sep 23	Sep 20	Sep 19	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3029.07	3010.51	3019.23	3024.37	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.64	96.60	96.62	96.48	96.62 (20/9)	91.30 (16/1)	96.62 (20/9/91)	54.99 (1/10/81)
Transport	1187.41	1183.00	1187.24	1181.24	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.94	208.31	208.19	208.00	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3043.38 (3037.79) Low 2995.97 (2997.76)

STANDARD AND POOR'S

	Sep 24	Sep 23	Sep 20	Sep 19	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	387.71	385.92	387.92	387.56	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	459.72	457.04	459.47	459.41	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.59	31.44	31.70	31.52	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	212.90	212.02	212.98	212.74	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	372.16	370.11	370.60	368.68	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	526.47	524.69	527.19	522.67	527.19 (20/9)	355.75 (14/1)	527.19 (20/9/91)	54.87 (31/10/72)

	Sep 20	Sep 13	Sep 6	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.07	3.04	4.03

	Sep 18	Sep 11	Sep 4	year ago (approx.)
S & P Industrial div. yield	2.73	2.74	2.70	3.29
S & P Indl. P/E ratio	21.15	21.01	21.33	15.12

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJ Nabisco	4,226,300	11⅛	+ ⅛
Countrywide	2,261,600	27⅛	...
Salomon	2,231,300	22⅝	+ ⅞
AT & T	2,134,000	38⅛	- ⅛
Pepsico	1,924,400	28⅞	- ¼
Micron	1,754,200	15⅝	+ 1⅜
IBM	1,498,900	105⅞	+ 1⅛
Waste Man	1,496,000	36⅛	+ 1
K Mart	1,469,200	42	- ⅞
Nat Medical	1,367,600	23½	+ ½

TRADING ACTIVITY

† Volume (Millions)	Sep 24	Sep 23	Sep 20
New York SE	170.785	145.530	241.340
Amex	15.985	11.456	18.309
NASDAQ	179.751	158.858	226.511
NYSE			
Issues Traded	2,089	2,097	2,102
Rises	864	650	917
Falls	676	898	632
Unchanged	549	549	553
New Highs	99	90	126
New Lows	18	18	18

CANADA TORONTO

	Sep 24	Sep 23	Sep 20	Sep 19	1991 HIGH	1991 LOW
Metals & Minerals	2893.55	2873.74	2894.73	2915.43	3299.99 (18/7)	2632.06 (9/1)
Composite	3398.10	3396.61	3407.17	3411.93	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1815.84	1809.25	1811.19	1815.06	1903.86 (7/6)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD				
M.S. Capital Intl.(1/1/70) ($)	513.1*	512.2	510.1	508.5

*Saturday September 21: Taiwan Weighted Price: 4741.45 Korea Comp Ex. 65
& Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday 25 September 1991

	Stocks Traded	Closing Prices	Change on day
Dainippon Ink	21.6m	701	+97
Meiji Seika	18.6m	1,370	+110
Minebea	10.7m	820	+28
Toray Ind.	10.4m	685	+12
Hitachi Zosen	7.6m	699	+2
Ajinomoto	6.1m	1,690	+100
Nissan Chem.	5.9m	839	+53
Olympus Optical	5.9m	1,510	+80
Toyobo	5.0m	540	+33
Sumitomo Heavy	4.5m	749	+16

3:15 pm prices September 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59⅛	37	Rubbermaid	0.80	0.01	29	173	58½	58⅜	58½	-⅛
16¼	13½	Ruddick	0.39	0.02	13	302	15⅞	15½	15⅞	+¼
18¼	13	RussBerrie	0.60	0.03	14	3	17⅜	17⅜	17⅜	
7⅛	3⅜	Russ Togs	0.20	0.06	0	19	3⅛	d3⅜	3⅜	
30⅛	18¼	Russell Cp	0.32	0.01	24	292	u30⅞	29⅞	29⅞	-⅛
21⅝	14	Ryder Syst	0.60	0.03	26	1259	17⅞	17½	17½	-¼
25¼	13¾	Ryland Grp	0.60	0.03	35	100	22⅛	22	22	-⅛

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅞	20⅞	S Anita Rt x	2.08	0.08	21	14	u26⅞	26¼	26⅞	
16⅝	11½	SCOR US Cp	0.24	0.02	9	37	15⅝	15½	15½	-⅛
37	20¼	SPS Techno	1.28	0.05	11	9	25¼	25¼	25¼	
2⅛	¾	SaatchiBS	0.19	0.23	0	803	⅞	[illegible]	[illegible]	
13	11	Sabine Rit	1.32	0.11	7	15	12⅞	12⅞	12⅞	
9⅞	5⅞	Safecard	0.15	0.02	7	165	8⅞	8⅛	8⅞	+⅛
13⅞	8⅞	Safeg'd Sc			3	10	11⅝	11⅝	11⅝	
37	25	SafetyKln	0.32	0.01	27	347	28⅛	27⅞	28	
21⅝	11⅞	Safeway			16	541	18	17⅞	17⅞	
4⅞	2⅞	SafewayWts				51	4	3⅞	4	
35⅞	25⅞	StJoePaper	0.20	0.01	35	65	32⅛	31⅛	31⅞	+¼
34¼	25⅜	StJoeL&P x	1.65	0.05	11	26	32	31⅝	31⅝	-⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- T - [illegible]

- U - [illegible]

- V - [illegible]

- W - [illegible]

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27½	14¼	Xtra 1.94				78	21⅛	21⅛	21⅛	
24⅞	14¼	Xtra Corp	0.72	0.03	80	67	24¼	23⅝	24¼	+¼
25⅛	21⅛	Yankee Egy	1.60	0.06	11	59	u25½	25	25	-⅛
1½	⅛	Zapata				2	412	[illegible]	[illegible]	[illegible]
9⅞	5½	ZenithElec				1	461	5¾	d5½	5⅞
18½	12	Zenith Nat x	1.00	0.06	90	11	15⅞	15⅝	15⅝	-⅛
6¼	4½	Zenix Inc x	0.84	0.13		84	u6¼	6⅛	6¼	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	305	14⅞	14½	14⅝	+⅛
41⅜	29½	Zurn Ind	0.88	0.03	13	378	34	32¼	32¼	-1¼
13⅛	10¼	Zweig Fund	1.16	0.09		244	12⅛	12¼	12¼	-⅛
10¼	8½	Zweig Totl	0.96	0.09		418	10⅛	10	10⅛	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pegasus G		8	126	10½	10⅜	10⅜	-¼
Perini		6	5	9⅝	9⅝	9⅝	
Pet HtSP	0.31	12	5	10⅛	10⅛	10	+⅛
Phil LD	0.17	8	809	20½	20⅛	20⅛	+⅛
Pittway A	0.70	9	140	22⅝	22½	22½	
Ply Gem	0.12	159	z100	8	8	8	
PMC			20	9	8⅞	9	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TECHNOLOGY IN THE OFFICE

NASDAQ NATIONAL MARKET

3:00 pm prices September 25

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		39	1003	u31⅞	31¼	31½	-⅛
XL Data		36	240	11⅞	11⅝	11⅞	+⅛
Xoma Corp		9	3081	17¼	16½	16⅞	+⅛
Yellow Fr	0.94	18	2365	30⅞	29⅝	30½	+½
York Rsch		60	670	7½	7	7¼	-¼
ZionsUtah	1.44	9	105	47½	46	46¼	-¼

AMERICA

Dow settles again after Tuesday's late advance

Wall Street

AFTER TUESDAY's late gains, the stock market settled back into a tight trading pattern yesterday morning, with share prices little changed by midsession, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 3.58 at 3,025.49. The more broadly based Standard & Poor's 500 moved only slightly, easing 0.63 to 387.08, while the Nasdaq composite of over-the-counter stocks edged 1.13 higher to 527.60. Turnover on the New York Stock Exchange was 91m shares.

The news that durable goods orders in August fell by 3.8 per cent had little impact on market sentiment, in spite of the fact that analysts had been predicting a bigger decline. The data showed that the manufacturing sector continues to recover, which might have helped to counteract the negative implications for the equity market of the overall drop in orders.

Among individual issues, Upjohn climbed $1⅞ to $46½ in volume of 1m shares, aided by heavy trading in its call options. Of the five most active call contracts on the Chicago Board Options Exchange, three were Upjohn calls. Investors' interest in the drug company appeared to have been prompted by speculation that Roche, the giant Swiss drug group, might make a bid for Upjohn.

General Dynamics, which has been a strongly supported stock of late, climbed another $2¼ to $48 in active trading on reports that the company expects third quarter profits to come in above analysts' forecasts of $1.50 a share. The defence contractor also said that it was considering buying back some of its common stock or raising its dividend payout.

Three stocks received a big boost from strong quarterly earnings reports: Lennar jumped $2⅜ to $26⅛ on third quarter profits of 51 cents a share, up from 33 cents a share a year ago; Best Buy Company added $2¼ to $27⅞ after reporting that second quarter profits had doubled from a year ago to 20 cents a share; and Horizon Healthcare put on $⅜ to $7¾ on news of its fiscal first quarter net income of 9 cents a share, well up on the 4 cents a share reported a year earlier.

On the over-the-counter market, Fortis, only recently floated, climbed $1⅞ to $18⅞ ahead of what is expected to be an upbeat presentation in San Francisco by Mr Gordon Clemons, chairman of the company which provides medical cost containment and managed care services for the workers' compensation market. Fortis went public in late June when 1.5m shares were offered at $10 each.

Century Telephone Enterprises rose $1¼ to $28, enjoying the after-affects of Tuesday's agreed bid for another cellular telephone company, Metro Mobile, by Bell Atlantic.

Knowledgeware dropped $1¼ to $18 after Montgomery Securities cut its rating on the stock and reduced its estimate for the company's fiscal 1992 earnings.

Going the other way was Oracle Systems, up $1⅞ at $13¾ in huge volume of almost 7m shares, after it reported net income of 2 cents a share for the first fiscal quarter, against a loss last year of 22 cents a share.

Canada

INVESTORS MARKED time ahead of US economic data due later this week, and Toronto stocks were mixed at midday. The composite index eased 3.9 to 3,394.2. Rises led falls by 181 to 177 on volume of 11m shares worth C$124m.

Among the most active stocks were Onex, unchanged at C$10⅝ in volume of 557,290 shares, International Potter, down 5 cents at C$1.30 in 544,649 shares, and Thomson, C$¼ lower at C$14⅝ in 541,484 shares. In the mining and oil sector, Encor slipped 4 cents to 85 cents.

Currency's strength weighs down Australia

The market has run out of steam in spite of good economic news, writes Kevin Brown

AUSTRALIA's stock market bulls are still waiting for the rally which many had forecast earlier this year, in spite of falling inflation and clear signs of an end to the 18-month recession.

The market has risen by just over 20 per cent since the beginning of the year, mostly driven by an improved inflation outlook, caused by weak demand and a deal with the trade unions on wage restraint for tax cuts. However, the advance has run out of steam, and there seems little prospect that the All Ordinaries index will rise to 1,800 or even 1,700 by the end of 1991, as some optimists were forecasting at mid-year.

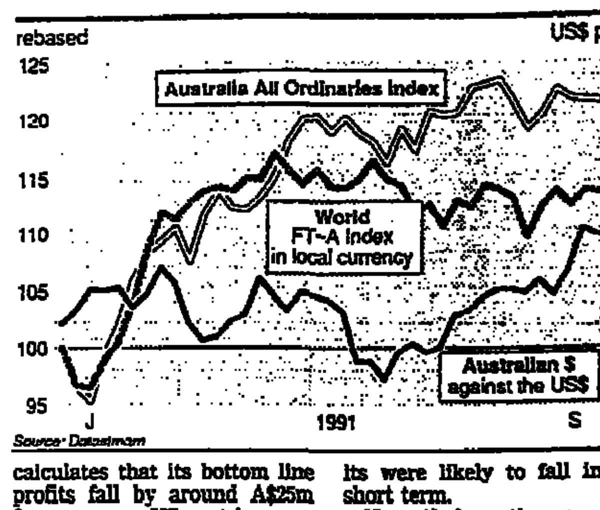
Since peaking at 1,591.3 in August, the index has fallen to 1,502 during the week of President Gorbachev's incarceration in Moscow, and bounced back to the 1,560 level for most of the current month. Yesterday it closed at 1,562.0, up 6.5.

The market seems to have been unimpressed by the government's success in getting inflation down to 3.4 per cent in the June quarter, perhaps because of worries that a one percentage point easing of official interest rates to 9.5 per cent early this month may renew inflationary pressures.

Significantly, the yield on the benchmark Commonwealth 10-year bond has held up at around 10.6 per cent since the easing, reducing the incentive for fund managers to reweight their portfolios towards equities. The 10-year bond yield fell to 10.41 per cent on Tuesday on the release of optimistic inflation forecasts for the third quarter, but is still above its low in May, before the recent cut in official interest rates.

Inflation is not the only thing worrying the market. High real interest rates, combined with political stability, have attracted strong overseas support for the Australian dollar, which recently broke through the 80 US cents barrier and is widely forecast to continue rising. The stronger currency is bad news for the resources sector, which accounts for more than 36 per cent of market capitalisation, and is a strong determinant of general market sentiment.

The effect on profitability can be severe: for example, Broken Hill Proprietary (BHP), Australia's biggest company, calculates that its bottom line profits fall by around A$25m for every one US cent increase in the value of the local dollar.



Source: Datastream

On top of these general worries, the market has been unsettled by a string of poor results from companies such as TNT, Foster's Brewing and Pacific Dunlop. Many are forecasting further problems during the current year. For example, Foster's said on Monday that its restructuring programme would be hampered by depressed profits, and BHP forecast on Tuesday that profits were likely to fall in the short term.

Nevertheless, the economic fundamentals are moving in the right direction. Most of the leading indicators have turned upwards in recent weeks, including those for employment, housing starts and retail sales. Most economists are forecasting a subdued recovery, beginning in the current quarter or the first three months of next year; analysts say that the improvement in confidence should feed through into the market shortly.

Mr Tim Monckton, institutional dealer at Prudential Bache, says the index should reach 1,600 to 1,650 in the first quarter of next year, especially if falling inflation expectations pull the 10-year bond yield closer to 10 per cent.

However, Mr Graham Rogers, investment manager at Colonial Mutual Life, says the market will have its work cut out to supply sufficient funds for the large number of flotations and placements likely in the next 15 months.

The market is soaking up the recent A$1.3bn Commonwealth Bank flotation, and A$1.7bn in rights issues by the National Australia Bank and Pacific Dunlop. But some analysts say that further equity issues could total between A$10bn and A$15bn, including more than A$1bn for the GIO Australia insurance group and A$1.6bn for the Woolworth's supermarket chain.

The gradual improvement of the past nine months will probably continue, but the new stock coming on to the market could use up the supply of available funds, reducing the scope for further market gains, says Mr Rogers.

ASIA PACIFIC

Foreign and individual investors boost Nikkei

Tokyo

HIGHER bond prices triggered active arbitrage-linked buying yesterday, and share prices rose on activity by foreign investors and individuals, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 243.72 at 23,577.42, after opening at the day's low of 23,403.65 and reaching a high for the day of 23,623.91. Volume grew to 400m shares from 320m. Some domestic investors, such as life insurers and trust banks, were also seen trading for the short term.

Advances led declines by 620 to 352, with 158 issues unchanged. The Topix index of all first section stocks added 15.23 at 1,812.85, and in London the ISE/Nikkei 50 index ended 2.33 firmer at 1,386.38.

The recent popularity of over-the-counter shares spread to high-priced small companies. Traders said the price movements reflected window dressing by institutional investors ahead of the interim book closing.

Among video game makers, Sega climbed Y900 to Y13,300 and Nintendo Y800 to Y14,300. TDK put on Y70 to Y5,770 on reports that the company's pre-tax profits for the current year through to next March would rise 11 per cent.

Large-capital issues and electricals retreated on profit-taking. Nippon Steel lost Y6 to Y412, Mitsubishi Heavy Industries Y12 to Y737 and Fujitsu Y15 to Y978.

Dainippon Ink & Chemicals, the most active issue of the day, rose on continued interest over the company's development of an Aids drug. Other drug-related issues also gained, with Meiji Seika, the confectioner which developed a cancer drug recently, advancing Y110 to Y1,370.

The Nihon Keizai Shimbun announced yesterday that it is to replace six component issues in the Nikkei stock average. The reshuffle will be effective as of October 1. Taito, Katakura Industries, Teikoku Sen-i, Matsuzakaya, Shochiku and Toho will be replaced by Kumagai Gumi, Sumitomo Heavy Industries, Topy Industries, Tomen, Nissho Iwai and Sankyu.

In Osaka, the OSE average closed 150.89 higher at 25,879.45 on volume of 35.8m shares. The index was lifted by small-lot buying of smaller capital shares backed by favourable earnings projections.

Nippon Densan rose Y450 to Y6,700 on expectations of an 18 per cent increase in pre-tax profits for the current year on strong sales of its micro precision motors for computers and facsimiles.

Fuso Pharmaceutical Industries gained Y20 to Y1,220 on projections of a 10 per cent rise in pre-tax profits for the fiscal year, supported by steady sales of its blood and body fluid drugs.

Roundup

THE UNEXPECTED easing of monetary policy by New Zealand's central bank produced the main feature in a quiet region yesterday.

NEW ZEALAND saw steep falls in domestic wholesale interest rates, a plunge in the New Zealand dollar and a rise of 26.21 or 1.9 per cent in the NZSE-40 index to 1,400.18 as turnover doubled from NZ$15.8m to NZ$31.8m.

Most blue chips posted solid gains, especially those which had suffered in recent weeks because of the poor outlook for company profits.

Fletcher Challenge, the forestry and resources concern under pressure because of downgraded earnings forecasts, gained 7 cents to NZ$3.32. Brierley Investments, which produces annual results today, rose 3 cents to 96 cents on the heaviest individual market volume of 3.8m shares.

HONG KONG registered its lowest turnover in eight months, HK$650m against HK$719m on Tuesday, as the Hang Seng index eased 1.86 to 3,902.33.

After opening marginally off, the market spent the day trapped in a narrow 15-point range. Analysts attributed its somnolence to a shift in focus by overseas institutions from regional markets to the rebounding Tokyo market.

JAKARTA rose 1.7 per cent in active trading, the index adding 4.39 at 258.21.

Semen Gresik, the cement producer listed on the exchange in July, rose 100 rupiah to 3,750 on 400,000 shares traded. It reported a sharp fall in profits for the first eight months, although the year-ago figure included proceeds from the sale of its Semen Cibinong holding.

SINGAPORE drifted lower as institutional investors continued to liquidate their outstanding positions. The Straits Times Industrial index ended 3.78 down at 1,377.46 after light volume.

SEOUL was pulled above intraday lows by the rumour of an impending summit meeting between the South Korean president, Roh Tae-woo, and his North Korean counterpart, Kim Il-sung. The composite index closed a net 3.53 off at 680.30. TAIWAN fell on profit-taking, the weighted index ending 23.51 lower at 4,790.68.

MANILA's composite index showed an advance of 7.08 at 973.67 after a volatile day.

SOUTH AFRICA

THE CONTINUED strength of the financial rand hit currency-linked industrial stocks. Barlow Rand lost R1 to R50.50 and Richemont 25 cents to R80.55. The industrial index dropped 66 to 4,085, but the all-golds eased only 9 to 1,146.

EUROPE

Company results influence trading in Milan and Paris

INTERIM RESULTS swayed investors in Italy and France yesterday, as bourses ended slightly lower, *writes Our Markets Staff.*

MILAN saw individual declines on company results and forecasts, and was unable to respond to the good news – excellent half-year results from Sip, the telecoms utility, which came too late in the day. The Comit index fell 2.03 to 541.31.

After Pirelli SpA's slide into the red, reported late on Tuesday, the shares officially closed L100 down at L1,810, and a later fall to L1,775 left them down 7.1 per cent on the day. Olivetti, which analysts say is likely to announce a first half loss of between L30bn and L65bn tomorrow, dropped L59 to L2,911.

Fiat's chairman, Mr Gianni Agnelli, said that its first half results for 1991 would be poor, which was expected, and that its second half would be worse, which was not. The shares fell only L24 to L5,305 on the session, but lost another L70 to L5,235 in the after-market.

Sip's profits, at L604bn compared with analysts' expectations of L460bn or so, said Mr Michele Pacitti of County NatWest. This should improve the mood, he said, especially where Sip and its majority shareholder, Stet, are concerned.

PARIS was cautious after a rash of company results. The CAC 40 index reached a day's high of 1,893.35, before going into retreat and closing at 1,877.93, down 7.30.

Turnover was moderate, rising from FFr1.8bn to about FFr2.2bn. Of the total, FFr273m was accounted for by Alcatel Alsthom, which rose FFr4 to FFr610; a Paris-based broker issued a strong recommendation on the stock.

Suez, the holding company, lost FFr10.70 or 3.1 per cent to FFr329 in volume of 266,940 shares, on worries about next week's earnings news from its subsidiary, Société Générale de Belgique. Moreover, the Belgian holding company has exposure to Zaire, where the armed forces have mutinied.

In the cement sector, Lafarge Coppée fell FFr8.30 or 2.2 per cent to FFr366. After the bourse closed, it reported a fall of 31 per cent in first-half net profits. Lafarge had fallen sharply on Monday after disappointing results from a competitor, Ciments Français, which itself lost another FFr9 or 2.8 per cent yesterday to FFr311.

Michelin, the tyremaker, which announced a first-half loss on Tuesday, dropped FFr2.50 or 2 per cent to FFr125.50 in 411,000 shares.

FRANKFURT failed to extend Tuesday's late rally, the DAX index closing 1.22 lower at 1,625.41 after a 4.57 rise to 672.93 in the FAZ at midsession. Volume rose from DM4.1bn to DM4.5bn.

A notable share price drop came in Continental, the tyre company, which closed DM4.50 lower at DM211.50 after poor results from Pirelli SpA, Conti's Italian suitor, and Michelin of France.

SEL led the day's winners, closing DM12 higher at DM380. Ms Barbara Altmann of B Metzler in Frankfurt said that Metzler had been recommending the telecoms manufacturer over the past two months on earnings expectations.

ZURICH featured a further drop in Winterthur, the insurer, which closed SFr110 lower at SFr3,360, taking its aggregate fall to SFr350, or 9.4 per cent, over the past eight trading days. The Crédit Suisse index fell 1.9 to 518.6.

BRUSSELS saw a BFr18 fall to BFr934 in Barco as the Bel20 index shed 6.41 to 1,088.89. After hours, the video screen, graphics and automation company revealed a 93 per cent drop in its half-year net profits.

STOCKHOLM fell for the sixth consecutive session, as the market continued to wait for news on the formation of a new government. The Affärsvärlden General index slipped 3.7 to 1,063.3 as turnover picked up to SKr339m from SKr184m.

Nordbanken lost SKr1 to SKr35. After the bourse closed, the bank announced its eight-month results and estimated that credit losses for 1991 would be SKr9.5bn, compared with a previous forecast of SKr3.6bn and analysts' expectations of about SKr5bn.

OSLO registered a technical recovery after its recent declines, the all-share index rising 7.26 to 490.88 in turnover of NKr221.7m. Shipping shares did better than the general run, the sector index rising 13.91, or 2.3 per cent, to 623.54. HELSINKI hit its second 1991 low in succession, the Hex index closing 3.1 lower at 882.5.

AMSTERDAM's CBS tendency index finished unchanged at Fl 90.6, after opening 0.2 higher. Akzo, the chemicals group, fell Fl 1.30 to Fl 118.50 before the expiry of warrants on Monday.

FT-SE Eurotrack 100 - Sep 25

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1112.64	1112.11	1110.80	1109.32	1108.86	1108.01	1108.61	1108.34

Day's High 1112.91 Day's Low 1107.12

Sep 24	Sep 23	Sep 20	Sep 19	Sep 18
1110.65	1111.18	1114.51	1113.95	1111.91

Base value 1000 (26/10/90).

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 24 1991								MONDAY SEPTEMBER 23 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.06	−0.5	128.34	126.85	131.04	125.54	−0.5	4.83	151.89	129.12	127.70	132.06	126.13	151.89	112.74	135.74
Austria (20)	182.44	+0.1	155.00	153.21	158.26	158.19	−0.1	1.79	182.34	155.01	153.30	158.55	158.30	222.37	154.82	178.57
Belgium (47)	129.14	−0.8	109.72	108.44	112.02	109.56	−0.9	5.41	130.19	110.67	109.44	113.20	110.60	151.20	118.04	126.67
Canada (114)	135.83	+0.0	115.40	114.06	117.82	111.54	+0.0	3.40	135.84	115.48	114.20	118.11	111.55	142.27	126.49	129.62
Denmark (37)	254.65	−0.2	216.36	213.85	220.89	223.22	−0.2	1.58	255.13	216.89	214.49	221.84	223.73	270.56	217.74	238.22
Finland (16)	91.27	+0.1	77.55	76.65	79.17	77.95	+0.1	3.09	91.22	77.55	76.70	79.32	77.89	125.15	89.53	104.86
France (109)	144.89	+0.3	123.10	121.66	125.67	129.09	+0.0	3.44	144.49	122.83	121.46	125.62	129.13	152.26	119.11	125.52
Germany (65)	110.86	+0.4	94.19	93.11	96.17	96.17	+0.2	2.34	110.38	93.84	92.81	95.98	95.98	125.35	94.15	103.85
Hong Kong (55)	162.07	−0.2	137.70	136.10	140.59	161.28	−0.2	4.40	162.37	138.03	136.51	141.19	161.63	169.98	119.62	114.43
Ireland (16)	161.89	−0.2	137.54	135.95	140.43	142.34	−0.5	3.52	162.25	137.93	136.41	141.08	143.07	182.46	132.68	141.26
Italy (77)	73.24	+0.3	62.23	61.50	63.53	68.17	−0.1	3.40	73.04	62.09	61.40	63.51	68.25	88.23	64.76	81.10
Japan (474)	133.42	+0.7	113.36	112.04	115.75	112.04	+0.6	0.75	132.47	112.61	111.37	115.20	111.37	146.97	118.23	118.87
Malaysia (68)	197.01	−0.1	167.38	165.43	170.89	208.28	+0.0	2.85	197.21	167.65	165.79	171.47	208.37	247.78	189.18	192.93
Mexico (16)	1194.85	−1.6	1015.17	1003.39	1036.47	3992.31	−1.6	1.32	1213.90	1031.95	1020.55	1055.52	4055.98	1226.36	534.45	500.52
Netherland (31)	140.07	−0.3	119.00	117.62	121.50	120.12	−0.6	4.49	140.43	119.38	118.06	122.11	120.82	145.73	125.70	129.04
New Zealand (14)	45.32	−0.9	38.51	38.06	39.31	41.13	−0.7	7.40	45.73	38.87	38.44	39.76	41.44	54.64	41.18	57.12
Norway (31)	196.36	−0.9	166.83	164.90	170.34	174.31	−0.8	1.62	198.12	168.42	166.56	172.27	175.73	223.24	178.58	254.06
Singapore (38)	191.84	−0.6	162.99	161.10	166.41	149.54	−0.4	2.38	192.95	164.03	162.22	167.77	150.09	208.25	151.63	153.07
South Africa (61)	252.06	+1.1	214.15	211.66	218.64	171.38	+0.4	3.22	249.41	212.03	209.68	216.87	170.68	258.85	173.00	169.50
Spain (53)	159.14	−0.4	135.21	133.64	138.04	127.07	−0.3	4.24	159.80	135.85	134.35	138.95	127.48	171.12	131.51	129.68
Sweden (25)	195.06	−0.5	165.72	163.81	169.21	175.93	−0.4	2.54	195.98	166.61	164.77	170.42	176.54	204.12	146.60	170.84
Switzerland (58)	94.83	+0.3	80.57	79.64	82.27	85.31	−0.2	2.26	94.54	80.37	79.48	82.21	85.51	100.67	82.17	86.06
United Kingdom (240)	180.91	−0.1	153.70	151.91	156.91	153.70	−0.1	4.83	181.03	153.89	152.18	157.40	153.89	187.44	156.27	149.37
USA (526)	157.59	+0.5	133.89	132.35	136.71	157.59	+0.5	3.09	156.81	133.30	131.84	136.35	156.81	161.02	125.95	124.23
Europe (827)	142.70	+0.0	121.24	119.83	123.79	123.03	−0.1	3.90	142.65	121.27	119.93	124.05	123.21	151.52	125.50	126.90
Nordic (109)	188.07	−0.4	159.79	157.93	163.14	160.78	−0.3	2.02	188.79	160.49	158.72	164.16	161.33	200.81	155.55	180.07
Pacific Basin (718)	134.27	+0.6	114.08	112.76	116.48	113.43	+0.5	1.10	133.46	113.46	112.21	116.05	112.86	145.92	117.86	119.22
Euro – Pacific (1545)	137.95	+0.4	117.21	115.84	119.66	118.03	+0.2	2.25	137.44	116.84	115.54	119.50	117.74	147.66	121.29	122.26
North America (640)	156.18	+0.5	132.69	131.17	135.50	154.47	+0.5	3.10	155.44	132.14	130.69	135.18	153.74	159.66	125.91	124.47
Europe Ex. UK (587)	119.99	+0.1	101.94	100.78	104.10	105.42	−0.2	3.19	119.86	101.90	100.79	104.25	105.58	129.80	103.58	111.12
Pacific Ex. Japan (244)	142.66	−0.4	121.21	119.82	123.77	125.22	−0.3	4.37	143.23	121.76	120.44	124.56	125.65	147.60	111.40	122.59
World Ex. US (1736)	138.72	+0.4	118.71	117.34	121.21	119.31	+0.2	2.30	139.22	118.35	117.05	121.06	119.04	148.16	122.32	123.19
World Ex. UK (2022)	141.26	+0.5	120.02	118.63	122.55	129.05	+0.4	2.32	140.60	119.53	118.21	122.27	128.56	145.77	120.06	119.96
World Ex. So. Af. (2201)	144.00	+0.4	122.34	120.93	124.92	131.02	+0.3	2.58	143.42	121.92	120.58	124.72	130.60	148.66	122.92	122.29
World Ex. Japan (1788)	152.06	+0.3	129.20	127.71	131.93	141.95	+0.2	3.44	151.65	128.92	127.51	131.89	141.67	152.83	126.69	125.71
The World Index (2262)	144.71	+0.4	122.95	121.52	125.53	131.37	+0.3	2.59	144.11	122.51	121.16	125.32	130.94	149.01	123.28	122.57

Latest prices were unavailable for this edition.

Of sex and scrip issues

PINSTRIPED PREDATORS
by Roger Kryss
Book Guild £14.99, 293 pages

PYON
by Peter Burdon
New English Library, £15.99, 323 pages

WINNING
by Ritchie Smith
Headline £14.95, 311 pages

SO YOU thought you were reading the *FT*'s boring Business Books Review, huh? Well, take this: "Her husky voice tingled his eardrums and sent a message flushing through his body to his genitals."

"I recommend we increase the bid to an equivalent of *300 pence per share by offering* another 10 pence in cash and 10 pence in unsecured loan stock, with an option to take it all in loan stock for those wishing to do so for Capital Gains Tax purposes."

"She struggled her hand to his chest, ripped off the buttons of his shirt and tore it off him." "We need a holding position that does not prejudice any of our prospects." "She laid her head back, crooked her left knee against the back of the sofa and dropped her right leg over the edge."

Sorry, reader, my mistake: it's just that when three of the latest (and the hottest) sex-and-scrip issue thrillers *land on your doorstep with* the literary editor's compliments, it's hard to review all three simultaneously without your mind beginning to spin and your quotations getting a little jumbled.

Now, where were we? That's right, just climbing into bed together: "What I have in mind is a total coming together of our two companies, Richard, to create a single powerful unit." No, wrong plot. Here we are: "It *was a night of nights. It* could have been a month, or a second. It was for both of them the most supreme of conjugation." That was one helluva joint venture: "After two vigorous, speechless hours, they both lay back exhausted, certain that it was the best either of them had ever known."

All right, I hear what you say, we do seem to have reached the post deal rationalisation rather quickly. But wait a minute, this is more promising: "I've known Christy Pyon for over thirty years, and acquisitiveness is like a disease for him. He's obsessional and compulsive in his drive. That's why he so often wins. But I've never seen him as he is over Chemco."

But what a woman that Chemco proves to be: "The blood rushed to his head and he knew he would have to love her, now, savagely, till he had penetrated the Japan that was *her and she had drained him* of all his tension." Sorry, I'm confused again. Which is which, Chemco the accommodating Japanese PA with the "small, pert breasts", or Sujiki, the multi-national, multi-billion chemicals company?

If ever three books could persuade me that the Take-Over Code resembles nothing less than a corporate Kama-Sutra, then these three airport thrillers managed it (*Pinstriped Predators*, written by a former corporate lawyer, is by far the cleverest). Here's everything they never tell you in the *Investor's Chronicle*: how shareholders come to be screwed (in every sense); how you notice an illegal support operation; and what happens when business standards deteriorate in the most surprising ways. All of this brought to you exclusively by Rentaplot, with special help from Brandname.

Mark Archer

All the numbers, crunched

THE ECONOMIST NUMBERS GUIDE
edited by Penny Butler
Business Books/Economist Books £14.99, 237 pages

ARE YOU confused by calculations, perplexed by parameters, misled by Markov chains or bothered by the Bayes theorem? Do you think the chi-squared test involves pandas, or that the Monte Carlo simulation is something to do with casinos?

If you answer yes to most of these questions, you will probably gain something from this book.

You will find in this slim volume ways to work out averages, regressions, risks, capital employed, "z" scores, two-tail tests and minimum spans. You can also find such matters as the inner meaning of relevance trees, the "t" ratio and quartile deviations.

There are some surprises. A saddle point is nothing to do with sore horse riders but is a term borrowed from analysis of pricing policy. You would not buy a runs test from the chemist's shop; it is a way of working out statistical randomness.

Numerous other technical terms are described in lots of detail and the book is generally written extremely lightly to aid understanding. There are particularly good sections on seasonal adjustment and investment analysis. However, you are advised not to read it in one sitting, as all these numbers are bad for the brain.

Peter Marsh

How to give back your Porsche

THE MONEY CULTURE
by Michael Lewis
Hodder & Stoughton £14.99, 188 pages

FAR TOO MUCH financial journalism consists either of name-dropping about the corporate elite – as Lord Hanson said to me at the Savoy Grill – or the mind-numbing accumulation of technical detail.

Michael Lewis, author of *Liar's Poker*, is that rare beast: an author who can write about matters of finance with wit and clarity. So one can forgive his *chutzpah* in issuing a collection of journalism at the age of 30, even if inevitably the volume, at under 200 pages, is rather slim and contains one or two obvious pieces of filler.

There is still plenty to enjoy, including much which the UK reader will not have seen before. The pleasure often lies in the incidental details with which Lewis illustrates the follies of the 1980s. I particularly relished the tale of the Australian mogul who threw an Argentine theme party for some Buenos Aires polo players. Unfortunately, inaccurate cultural research caused him to serve his baffled guests enchiladas, tacos and guacamole.

As a former Salomon bond salesman, Lewis's focus is inevitably on the financial, rather than industrial, trends of the 1980s. However, given that the 1980s was a decade when the process of making money was seen as far more glamorous than making anything practical, such as cars or combine harvesters, that is not too much of a handicap.

Lewis, who has made plenty of money both from working for Salomon and from running the firm down, is generally successful at combining the air of amused outsider and knowledgeable insider. Once or twice, however, the desire to be provocative seems to overcome his intellectual consistency. For example, he is scathing about management buyouts – the title of his piece on the subject is "Leveraged rip-off" – but he leaps to the defence of Michael Milken, the jailed junk bond king.

For me, three pieces stood out from the rest of the book. One was a funny, and devastatingly logical, demolition of the rationale for owning an American Express card. The second was a frightening study of a little-discussed topic – the effect that a Tokyo earthquake might have on the world economy. The third was a surreal account of an American investment seminar, combined with a boat cruise up the Amazon.

But I suspect most people will buy the book to hear more tales about rich and greedy bankers, and how they came to grief. Such as the fired Chemical banker, described by Lewis, who was told by the personnel department on his way out of the door that the company Porsche should be returned soon.

The next morning he drove the Porsche on to the pavement in front of the bank and parked it flush against the front door. He then turned on the car alarm, locked the door, and threw the key into the Thames.

Philip Coggan

The FT Review of Business Books

The subversion of a global network

Max Wilkinson discusses the lessons of a spectacular series of computer break-ins

CYBERPUNK
by Katie Hafner & John Markoff
Fourth Estate £14.99 368 pages

IN SPITE OF much apocalyptic nonsense that has been written about the computer revolution, many people still do not understand how profoundly it is altering society.

This is partly, no doubt, a reaction to the wilder predictions that computer robots will take over the governance of earth. At the same time, the real world tasks which computers perform – airline bookings, payroll calculations, bank accounting, for example – have become so familiar that they cease to inspire wonder and awe.

Then again, computers are more difficult to visualise than the other great achievements of 20th century technology such as fast cars, jet aeroplanes and television. Physically, they are just boxes of electronics, getting smaller every year. And the programmes that make them run are, to most users, obscure and invisible.

In their book, *Cyberpunk*, two American journalists have found an exciting way to penetrate the barriers of computerspeak and to open up the networks to the imagination of the ordinary reader. Their method is to tell three stories of criminals who penetrated the global networks, in one case with spectacular, and in another with devastating effect.

Greed, however was only a minor motive of the anti-heroes of this book. They were driven by a sense of wonder and obsessive curiosity about the vast new world which opened up on their home computer screens via the telephone line.

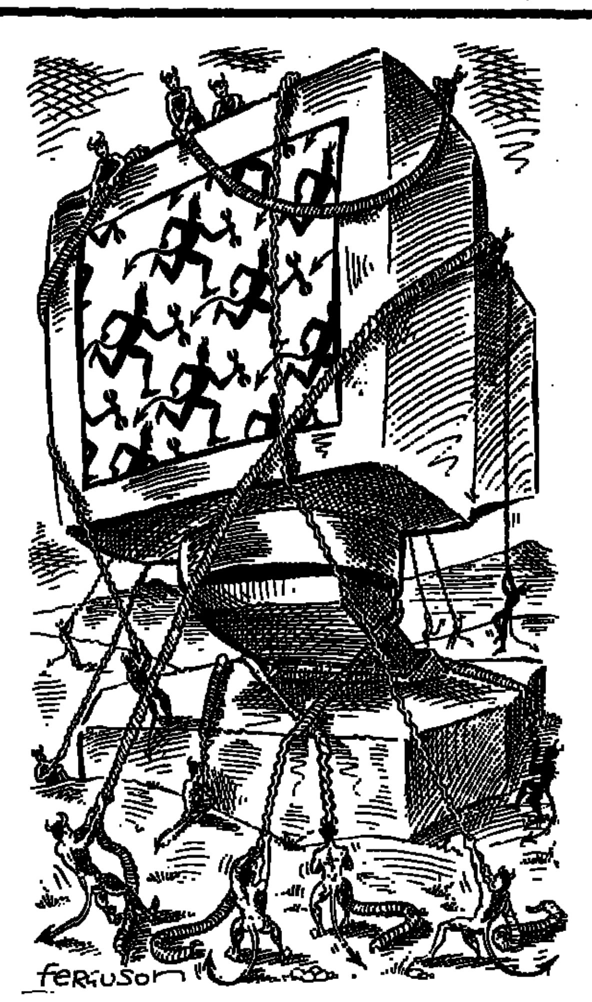
They were all hackers who exploited lax security in big university computers to penetrate the telecommunications networks which link hundreds of thousands of systems in America and Europe. Their targets included military installations, weapons research and commercial secrets.

Specialised telecommunications networks were developed in the last two decades to enable researchers in different institutions to share data, programmes and ideas. They also allowed researchers with a small terminal at home to dial up their institution's computer and exploit its full power. They might also instruct the office machine to connect to a colleague's computer thousands of miles away. Once connected to the distant machine the researcher could operate this, too, as if he were sitting in the next room.

Of course, safeguards were built in: researchers would be allocated passwords which entitled them to access only certain sectors or functions of a particular system. These functions were arranged in a hierarchy of security which presented an irresistible challenge to the *Cyberpunk* hackers and which are beginning to pose serious general questions for society.

Take, for example, the systems operated by banks: many now allow customers to dial up from a personal computer, inspect their accounts and transfer funds. Obviously, the customer may *not* call up other peoples' accounts. But bank employees may inspect many different accounts. The bank manager has access to still wider information, for example, on the bank's profits. But above even the bank manager, there is another level, that of system manager or superuser, controlling the integrity of the machine itself. He can change programmes, alter data and passwords and could, if he were corrupt, switch funds from one account to another.

So what havoc could an interloper create if he were able to dial up the computer with the name and password of a superuser. This is what the Californian hacker Kevin Mitnick was doing regularly in the early 1980s. Although he did not penetrate a bank, he did the next best thing, infiltrating himself as a superuser of the computers which controlled the Bell telephone system. This enabled him to re-route calls, alter telephone accounts, set up dummy numbers and even to monitor and frustrate attempts by real supervisors to trace his calls. Mitnick, a high school drop-out, an obsessive and a kind of genius, wrecked his marriage by hacking all night. He shifted his attention to



the network of academic and commercial computers, exploiting human errors and flaws in the operating systems. One simple trick was to sign on as "GUEST" (password "GUEST") then type in a clever little programme which would fool the computer into giving him "superuser" status. Another was to try standard passwords for system managers which were shipped with new machines, but which customers often forgot to disable.

Mitnick's epic achievement was to break through the highest levels of security to steal a new operating system of Digital Equipment's VAX computers while it was still under development. At least three experts knew he was stealing this huge programme and storing it, disguised as an index, on a university computer. They dared not interrupt him, until they could trace his location, because he had power to wreck the whole system. Although this software was extremely valuable, Mitnick's motive seems to have been only curiosity. Mitnick was caught because, in a fit of pique, he disabled all the telephone lines into the firm where his confederate was working. This was the last straw and the friend turned him in.

Mitnick's story is followed by that of Markus Hess, the Hamburg programmer, who broke into hundreds of US computers including one at the Pentagon. He was tracked down by Clifford Stoll, a systems supervisor at the Lawrence Berkeley Laboratory in California. Stoll's book, *The Cuckoo's Egg* (now a Pan paperback) is the better account, combining the excitement and *detail of the chase with the* authority of an expert. However, *Cyberpunk* is a good book too, telling a complementary story from the hackers' own perspective.

The third story in *Cyberpunk* is perhaps the most alarming. It describes how Robert Morris, a Cornell University student invented a computer virus, which on November 2, 1988 infected and shut down 2,000 interconnected computers throughout the US. Morris was not evil. He did not use his virus, as he might have done, to destroy data or wreck programmes. But what about next time? Although security has been tightened, *no system open to* the network can be invulnerable. Moreover, computer systems are now becoming essential to many entirely new classes of user – journalists, for example.

From my office terminal, I can now call up a distant computer which will search every news item printed in several dozen newspapers and journals in the last three years. Thousands of journalists, salesmen and engineers routinely dial into their office computers over ordinary telephone lines. This book shows that a Mitnick or a Hess could easily obtain passwords and cause severe disruption. So in spite of its style of racy formula journalism, *Cyberpunk* should make sober reading for many corporate executives. Computers may never rule the world, but their misuse could plunge parts it into a terrible mess.

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Editorial Production: Andrew Anderson and Peter Berlin

ECONOMICS

An action plan for a green economy

THE GREEN ECONOMY
by Michael Jacobs
Pluto Press £27.50, 312 pages

AS WORLD politicians prepare their credentials for next year's World Environment Conference, the lofty rhetoric fluttering through their speeches will be secured firmly to the capitalist mast. Less spectacular than its recent eastern conquests, the free market's transformation of the meaning of "green" is hardly less remarkable. Armed with an array of novel political philosophies, the movement's voters came with hopes of radical change. They went, as it were, shopping: green consumers.

The contradiction between green political ideology and the market is at the heart of Michael Jacobs' book (sub-titled *Environment, Sustainable Development and the Politics of the Future*). But this is not for the strong-hearted, the realist who demands the impossible. Jacobs' outlook is unashamedly pragmatic; the green economy he describes, through an explanation and critique of "orthodox" environmental economics, is "feasible rather than Utopian".

Ostensibly, the market serves to generate equilibrium; Jacobs stresses the disequilibria it creates: between entrenched consumption patterns and environmental protection, between the needs of present and future generations, between North and South. Far from invisible hand, this is the invisible *elbow*, clumsy and awkward, brushing aside the weak and occasionally breaking the china. Control of market forces is thus the key to a sustainable future; ideology, as we have seen, is not enough.

Jacobs presents his arguments by refereeing a confrontation between the "greens" and the "orthodox economists", both of whom field their fair share of invalids. His story is cogent and persuasive, moving from an analysis of the environmental crisis to elements of a programme for sustainability and prescriptions for environmental decision-making. Putting the economic issues in a political context, he demonstrates that the impediments to a sustainable future are not lack of interest or recognition in principle of the problems, but lack of courage to make the necessary political transitions.

But what is the current orthodoxy? Textbook environmental economics now has sustainability in chapter one, and deals with concepts such as cost-benefit analysis and national accounting in terms not unlike those presented here. Jacobs is not keen on the language of economics, and tiptoes around the question – fundamental to arguments between green and growth – of how to compare environmental and human-made wealth.

Most of his policy prescriptions would be familiar to orthodox analysts. But theoretical purity and profound analysis are not Jacobs' chief objectives; He aims to explain principles of environmental policy making and to clarify the process by which environmental concerns might get turned into action. By these criteria, this book stands out on the expanding shelves of green literature.

William Cannaway

Think before you lend

LENT AND LOST: FOREIGN CREDIT AND THIRD WORLD DEVELOPMENT
by Cheryl Payer
Zed Books £29.95/8.95, 154 pages

IT IS OFTEN difficult to believe that international bankers belong to the thinking classes.

The developing country debt crisis happened, according to Cheryl Payer, partly because too many of them glibly accepted the two conventions of development theory: that developing countries are structural importers of capital and that the International Monetary Fund and World Bank know best how to set their economies to rights. Her book is unlikely to convince many bankers that these conventions are wrong, but it is worth a glance if only because it challenges assumptions that are too easily just taken for granted.

There is a fundamental flaw, Cheryl Payer argues, in the notion that developing countries should depend on borrowing. It leads to an accumulation of debt that can never be paid back unless the debtors saturate the markets of the industrial world with their exports. Developed countries are reluctant to face such a threat to their own employment and industries, so they do not really want the money back.

Instead they allowed the borrowings to pile up on the basis that debt could easily be refinanced, while new lenders would always be found to keep capital flows positive.

In the end this was little more than a Pomzi-style confidence trick. When no new lenders could be found, the whole system collapsed. Developing countries are left having to make net payments to their creditors of money which could be put to better use in their own economies.

Much of this argument is open to question. Ms Payer is not very forthcoming about precisely how developing countries should set about raising their living standards, though she obviously prefers an inward looking approach in which foreign exchange is husbanded through a strategy of import substitution. That may have worked for South Korea, but it has been less helpful for India.

Moreover, productive investment of borrowed funds by developing countries ought in theory to boost local demand, creating new opportunities for exporters in the industrial world. That would offset the pain of opening their own markets to LDC imports so as to create resources for repayment of debt. In other words, everybody should benefit, because the overall level of activity would increase.

Nonetheless, this book should tweak a little at the consciences of both bankers and the officials who promoted the great lending boom of the 1970s. Too little attention was paid at the time to the question of whether a a policy of indefinite borrowing was viable in the long run. If more thought had been given to this point, banks and their shareholders would be better off today. The debtor countries would have faced earlier pressure to adjust. That might have stemmed the capital flight which has been every bit as great a drain on their resources as debt service.

Peter Montagnon

CLASSICS II: ANOTHER INVESTOR'S ANTHOLOGY
edited by Charles D Ellis with James R Vertin
Business One Irwin/ Charles Letts £33.99, 626 pages

ONE for the investment buffs. Charles Ellis, a leading securities industry consultant in the US, has long sought to bring a little philosophy to an industry more characterised by salesmanship than intellect. His earlier anthology of investment wisdom sold more than 15,000 copies and this second one also contains a vast range of wisdom and wit. Most of the American gurus are here: Benjamin Graham (plus Dodd), Warren Buffett, Adam Smith and Burton Malkiel, to name but a small part of the portfolio. British contributions include John Brew's stylish representation of a pension fund trustees' meeting, and George Ross Goobey's 1971 exposition of the case for pension fund investment in property.

Barry Riley

MANAGEMENT

Small Businesses by **Charles Batchelor**

The struggle to keep up with the books

IF THE business owner or would-be entrepreneur read only a fraction of the "small business" books published each year he would have little time left to run his company. The difficulties encountered by the small firms sector in the recession do not appear to have persuaded the publishers to cut back. Indeed, since most small business books set out to solve problems, the recession may have stimulated the publishers.

An irritating characteristic of some of the authors in this field is their tendency to write down to their audience, to present wild generalisations or glib assumptions as business expertise. T.K. Hayes' The Money-Making Guide To Choosing A Retail Business (The Small Business Information Service. £29.95. 178 pages), for example, suggests – optimistically and certainly wrongly – in its section on greengrocers "Once you have set up your first shop, it is easy to expand to owning two, three or four shops." Curiously, it nowhere discusses the problems related to renting or buying a shop.

Even Gary Jones, in Starting Up (NatWest Business Handbooks. £8.99. 248 pages), an otherwise excellent guide to getting started, is not immune to oversimplifications.

The NatWest series is just one to be launched by the banks in recent years. Their entry into the small business publishing field has done a great deal of good in a previously rather self-indulgent sector.

Among the most recent of the NatWest titles are Book-keeping and Accounting, now in its second edition, by Geoffrey Whitehead, which provides a very readable guide to dry but essential topics such as VAT, accounts and double entry systems.

Marketing Decisions, another Gary Jones book in the NatWest series, is a down-to-earth and informative guide to a subject which too often attracts jargon and hyperbole.

The Barclays series of small business books treats many of the same issues. The Barclays Guide to Marketing, by Len Rogers, provides a comprehensive explanation of subjects such as market research, product choice and pricing with an extensive list of useful contacts and a glossary of marketing terms.

The breadth of coverage of titles in both of the banking series, as well as of the single-volume Lloyds Bank Small Business Guide (Penguin. 426 pages. £12.99) by Sara Williams, makes for good value for money. Other publishers have opted for more specialist guides. It is sometimes questionable though whether this justifies buying another book.

Do Your Own Advertising (Hutchinson Business Press. 192 pages £7.99) by Alastair Crompton combines fluency of style with examples and detailed practical hints.

Finance For Your Business (Waterlow Publishers. 284 pages £16.95) provides an exhaustive though dry catalogue of methods of financing business. The book ranges widely over venture capital, factoring, export finance and leasing and, since author Peter Walker is a barrister, an explanation of the legal issues.

New Media by **Prabhu Guptara**

Innovative tools

WE ALL know that our companies must innovative or die. So what prevents us from translating that knowledge into action in our organisation?

The Innovation Management Tool Kit (National Economic Development Office, £250) is a set of worksheets to be completed by employees and managers, with the scores platted on an "innovation wheel". There is an input on what makes a model innovative company, and a project leader is meant to take the company through action planning sessions during which there is further input on techniques used by the best companies.

Simple excellence of basic idea, and sensitive thoughtfulness of execution, make this an ideal pack with which to move your company more firmly and systematically towards greater innovation. The pack is supposed to be aimed specifically at small and middle-sizes companies: what will they think, I wonder, of paying that much money for what is, in effect, a book of less than a hundred pages?

Much more material, and on all the principal skills involved in management is to be found in Kinder et al's 50 Activities for Developing Management Skills (Gower, £95) This is the sixth volume of a series whose earlier shortcomings I have castigated and, though the exercises were always worth keeping in mind, the series has become increasingly well-edited. Here is treasury of activities with which to stir your staid and self-satisfied executives on everything from leadership and teamwork to problem solving and managing change.

The BBC has produced three other videos in the some series as Charles Handy's excellent but brief Inside Organisations. These go beyond Handy's published work or at least bring it into fresh focus. The videos, on Quality, Teams and Change, provide a pair of case studies each, which "offer no ready-made success formulae and are not intended to show how things should be done (but) to provide a slice of reality in different contexts, showing what people actually do and the effect this has on others." The cases chosen are watchable and instructive.

TECHNOLOGY

Computers of the imagination

VIRTUAL REALITY by Howard Rheingold
Secker & Warburg £16.99, 415 pages

TECHNOLOGY 2001: THE FUTURE OF COMPUTING AND COMMUNICATION edited by Derek Leebaert
MIT Press £26.95, 392 pages

WHEN IT happens, Virtual Reality (VR) will change how we live, work and communicate. I felt like Keats reading Homer when I had finished Howard Rheingold's wonderful book, *Virtual Reality*: "Much have I travelled in the realms of gold, and many goodly states and kingdoms seen." Anyone interested in the next 20 years must read this.

VR is a computer-based technology which gives the illusion of immersion in an artificial world, or of presence in a remote location in the physical world. For state of the art VR, one must be able to move around in the computer-generated environment and interact with it.

There are three essential pieces of kit: first, a stereographic helmet that contains two miniature television tubes sending images to each eye; second, a "dataglove" that allows the computer to plot the position and interpret the commands of the hand so it can reach out and grasp a virtual object in the virtual world; and third, a set of computers calculating the space coordinates for each particle of the virtual world, at 32m or so instructions per second. If mathematics is queen of the sciences, computer graphics is the royal interpreter.

The essence of VR is to present data in a form compatible with our own systems of perception. Reading or typing, for example, are not inherently *natural* activities. But watching movement or colour, feeling hot or cold, are. VR is a computer world operated not by keyboard, but by gesture, voice, walking and looking.

Any three-dimensional problem can be tackled by VR. The applications promise much for architecture, firefighting, surgery, scientific modelling, education and communication – the industrial and entertainment applications are mindbending.

Imagine a surgeon recreating his patient in three-dimensional VR before focusing real radiation beams on the real tumour. In October 1990 *The New York Times* mentioned Citicorp funding attempts to display financial data in 3D.

VR technology hitched not to a human but to a robot allows remote operations – *telerobotics* – in hazardous locations. There is even the threat of VR-pornography.

Rheingold, a technology journalist, gallops through the origins, development, applications and future of VR on a journey from the caves at Lascaux to the University of North Carolina at Chapel Hill and the Kansai Science City outside Kyoto. VR has proved to be *the* interdisciplinary venture. It began in the late 1960s with Ivan Sutherland at the University of Utah who saw the computer display as a looking-glass to a mathematical wonderland, believing that it should inform one's sense of touch, sound and sight.

Advances in computing, stereoscopy and simulation have brought VR to a usable state in academic, military and commercial research. A basic and crude kit costs around $15,000 (£8,875) to $20,000, plus the computer.

Next century, as text by the Library-of-Congress-load sings down the fibreoptic cables, it will takesomething more amenable than a PC and modem to cope. VR is an enabling tool; it is still pretty crude – there is a time-lag as the computer calculates each new position as the visitor moves through the virtual world. But Rheingold has no doubt: "When today's infant VR technology matures in a few years, it promises (and threatens) to change what it means to be human."

After *Virtual Reality*, the collection of essays in *Technology 2001* covers more familiar territory, and is much more specific about every day hardware. There are fine, simple essays on supercomputing, optical storage, and imaging capabilities.

Science Fiction is never far from new technology, either in the form of William Gibson (his 1984 *Neuromancer* is essential VR reading) or Arthur C. Clarke, whose preface to *Technology 2001* finds no reason for any "fundamental difference between a device constructed of silicon and one of carbon." In general, however, the collection preserves the machine-human divide by raising moral and pre-legal questions of access and privacy in the communications world we are building.

Andrew St George

Big Blue's system failure

***IBM's 360 AND EARLY 370 SYSTEMS* by Emerson W Pugh**
The MIT Press £33.75, 819 pages

INTERNATIONAL Business Machines (IBM) is the company which introduced machine compatibility to the computer industry in the 1960s, threw away over the next two decades much of the ground it gained, and is condemned to spend the early 1990s repeating its earlier history. This book explains why.

Those who see IBM as an all-pervasive force may be surprised to find that the giant of the computer industry has feet, if not of clay, then of some material less hard than granite. It has so dominated its competition over the past half century that only with the emergence in the 1980s of two industry trends, downsizing and networking, were the extent of the anomalies in its product ranges revealed.

Companies downsize when they replace large, expensive computers with smaller, cheaper systems. Networking involves forging links between computers.

Both trends caught IBM with a plethora of different machine families, all incompatible, difficult to interconnect and upgrade. And this in spite of a flying start in the 1960s through the introduction of the industry's first single family of compatible computers – System/360. Computer programs written for any processor in the System/360 line could be run on any other processor with equal or greater memory capacity.

Introduced in 1964, the effect of System/360 on the industry was shattering – over 1,100 orders for the were received in the first month. Today, some 25 per cent of the value of all computers of all sizes made by all manufacturers conform to the System/360 design.

To accommodate customers with smaller data processing loads, less expensive computer designs were introduced which were incompatible with System/360.

The book also tells the story of the abandonment in 1975 of "Future Series", the computer family that was to replace System/360. Technically innovative, it introduced computing concepts that were not to become popular for another 20 years.

It became too technically challenging and it was abandoned at great cost. System/360 instead evolved into System/370.

Now IBM is again trying to ensure compatibility across its product lines through Systems Applications Architecture (SAA), a set of rules and protocols defining how IBM's systems should behave. SAA is outside the scope of the present volume, but Emerson Pugh and his co-authors provide a clear insight into the arguments over machine compatibility as well as a host of intriguing details about the development of disk drives, semiconductor memories and the like.

IBM's 360 and Early 370 Systems is clearly written but will nevertheless appeal chiefly to the technically competent. A pity, because the stories it tells are complementary to more orthodox business histories of IBM and an invaluable aid to understanding the development of the world's most important computer manufacturer.

Alan Cane

ECONOMICS

A bleeding chunk of history

MACROECONOMIC POLICY IN BRITAIN 1974-1987 by A J C Britton
Cambridge/National Institute of Economic and Social Research £30

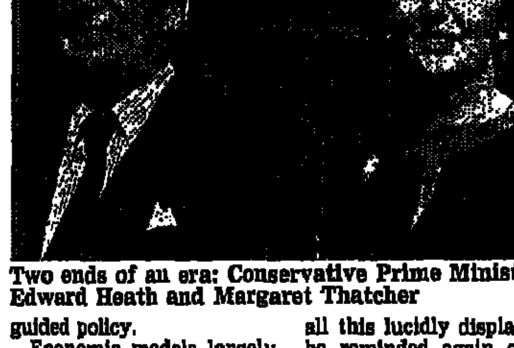
THIS IS a favourable review, though it may not seem so at first, of what is self-evidently a scholarly work. Not for the National Institute or for its Director, Andrew Britton, the instant verdict on a neatly defined slice of history. 1974-1987 is a bleeding chunk. This study is thorough and provocative; but out of date before it appears.

The Labour administration of 1974-9 is given the benefit of an account of the Heath disasters which brought it to power, and ultimately brought it down, which lends necessary perspective. There is not even a postscript, though, on the third Thatcher term, the one in which the wheels came off and the leader was replaced. We need a second edition, forthwith: for Mr Britton's approach is illuminating, but leaves us in the dark before the curtain comes down.

That is one cavil; and a second may seem fatal. The central conclusion which Mr Britton draws from this history – that in spite of a profound change in rhetoric, actual policy actions went on in the same old way – seems to me not only debatable but, deep down, profoundly superficial. It is true mainly in a sense defined by Mr Denis Healey fairly early in this period, when he complained of enslavement by the young men who write brokers' circulars. Responses to market pressures are not so much a matter of "policy": as simply a conditioned reflexes. They are bound to look much the same from one market flurry to the next, whether the doctrine of the moment is called monetarism or Keynesianism, or even Kaldorism.

However, even on Mr Britton's restrictive definition of macroeconomics, the changes from high employment to low inflation as the ruling objective of policy, from targeting growth and public expenditure in nominal rather than real terms, and from including asset sales in the planning of the current fiscal account are substantial, and have affected both actions (between market crises) and outcomes. They are indeed noted and discussed, and the book ends with some impassioned words about the moral trade-off between inflation and unemployment. One is left, though, with the unspoken conclusion that a change to what Mr Britton would find a more acceptable set of objectives would make little practical difference. Indeed, if he is right, there is really no such thing as macroeconomic policy, but only rhetoric – a view which Mrs Thatcher might secretly accept, but certainly not Labour. Odd, this.

Why, then, do I recommend the book? Because it is in the honourable tradition of National Institute economic history – history as a learning process. The Institute has always been completely frank about its own forecasting errors and revisions, but in past periods these have been technical matters mainly of interest to other forecasters. In this period, forecasting and analytic errors quite largely guided policy.



Two ends of an era: Conservative Prime Ministers Edward Heath and Margaret Thatcher

Economic models largely fell apart, since they could not keep up with the structural changes which the Government was introducing in an iconoclastic frenzy like that now seen in Russia.

Policy, which in the Bretton Woods era had been regarded as a sophisticated automatic pilot became a Heath Robinson contraption of doctrine and string. To see all this lucidly displayed, to be reminded again of such flickering lodestars as DCE or Sterling M3, should be a source of something like nostalgia to the old, amazement to the young, and an irresistible invitation to hindsight - which is the most enjoyable learning process. A book of reference for facts; and a book to read and argue with.

Anthony Harris

Unanswered questions on Thatcher's experiment

THE ECONOMY UNDER MRS THATCHER by Christopher Johnson
Penguin £5.99, 341 pages

LESS than three years ago, in the heady days of the late 1980s, it seemed to many that the UK economy had been transformed. The Thatcher economic experiment was declared a success, the UK purged of its "British disease". The lady herself seemed invincible. Now little is heard of Mrs Thatcher's "economic miracle". For, as is now well known, the talk of this "supply-side miracle" in 1988 coincided with the peak of an old-fashioned demand boom.

The policy errors which led to another boom-bust cycle are recorded by Christopher Johnson, ex-Chief Economic adviser at Lloyds Bank and an adviser to the Treasury and Civil Service Select Committee of the House of Commons.

The first two chapters trace the main events of macroeconomic policy: the 1980-81 recession, the success in reducing inflation in spite of the abandonment of monetary targets, and the "self-inflicted defeat" of the late 1980s boom.

Johnson also assesses the evidence of a supply-side revolution. In some areas he is damning: "The curbs on public expenditure made the UK a country of private affluence and public squalor," while "Tax reform was piecemeal and incoherent rather than being based on a long-term blueprint."

Elsewhere he is more measured. Trade union reform was necessary, he argues, although it did not remove the tendency to excessive nominal wage inflation. Overall he lists seven successful policies, seven unsuccessful and seven mixed outcomes. "The government's record was thus" he concludes, "like the curate's egg, good in parts."

The same could be said for Johnson's book. It is in its narrative, description and data. He provides ample statistical evidence with which readers can make their own judgments.

Johnson's judgments are less carefully argued. The book's main weakness is that it does not analyse its period within the context of post-war British economic history. The Thatcherite economic policy and record cannot be judged in a vacuum, and solely against the standards set by the rhetoric which accompanied it, as Johnson is inclined to do.

Perhaps this is deliberate. "This is not an economic history or an economic analysis" Johnson writes, "although it draws on both disciplines. It is an attempt at political economy." The suggestion, surely mistaken, is that political economy is a lesser discipline than economic history or analysis. Political economy combines straight economic analysis and history with an appreciation of the political context and the power and importance of economic and social ideas and pressures.

In this broader context, the statement that "Mrs Thatcher is likely to go down in history more for her political and military than for her economic and social record" is surely wrong. The evidence of an economic miracle is weak to say the least; but it still makes sense to speak of a revolution in the attitudes and practices which guide economic life in Britain. Ideas which seemed radical in 1979 such as the priority the Thatcher government attached to providing a stable, low inflation environment and the rejection of macroeconomic policy as an influence on the level of output and employment in the medium term, are now part of the conventional wisdom.

Mrs Thatcher won the argument over the aims of macroeconomic policy, but lost the argument over the means to control inflation. The prevailing wisdom now accepts that low and stable inflation is the priority of policy. Few dissenting voices are heard from the economics profession in spite of the severity of the recession and the rise in unemployment. But the consensus was formed round the European exchange rate mechanism as the heart of monetary policy, and so excluded her.

These central intellectual changes do not figure in the book. It seems that Johnson was too close to events to realise, even now, that he was caught up in this shifting consensus.

Edward Balls

Labour's IMF crisis revisited

A HARD POUNDING: POLITICS AND ECONOMIC CRISIS 1974-1976 by Edmund Dell
Oxford £20, 306 pages

EDMUND DELL writes in his introduction that one of the reasons for publishing this book now is that many of those involved in the policy-making processes of the time are still alive, and can make their own rebuttals.

Mr Dell was Paymaster General and the number two minister in the Treasury, then Secretary of State for Trade, in the Labour government of the mid-1970s which presided over one of the most thoroughly documented of all British economic crises. He was perhaps the only minister to take the position from the start of "Come IMF, and welcome". Economically, he was vindicated, though he thinks that Mr James Callaghan as Prime Minister threw away the political gains by refusing to hold a general election in the autumn of 1978.

Nevertheless, the timing of the book is peculiar. We have already had the Castle and Benn diaries and a host of more economic books. It may be asked what the ex-paymaster general has to add, apart from a few snippets from his own diary and personal recollections.

Mr Dell's book is remarkable for a sustained attack on Mr Harold Lever, the one man in the Labour government who was thought to have high credibility in the City. His comments are not usually personal: he simply thinks that Lever was a poseur who got practically everything disastrously wrong. For example, Mr Lever sought "a prosperous disequilibrium", which Mr Dell calls "another term for extensive borrowing".

The late Mr Anthony Crosland comes under the knife for his rejection of the IMF terms: "Our weakness is our strength," said Mr Crosland. "It is a test of nerve, and the IMF must give us the loan." "The folly of these threats," says Mr Dell, "confirmed my view that Crosland could no longer be trusted . . . he had lost all power of judgment".

The Treasury is savaged for not coming up with strong advice early enough. Eventually some officials came began to support the Dell line. There really were meetings on a bench in St James's Park where officials spoke freely.

The Dell line essentially was that Britain was weak and ought not to rely on the goodwill of its friends to bale it out. The government should have cut public expenditure from the start. In the end, sense prevailed. Mr Dell's prizes go in this order to Mr Callaghan "for guiding the cabinet to a mutually tolerable conclusion": to Healey "for his gallantry in battle against colleagues with whom he largely agreed", to the US for not "being too kind to a friend" and to the IMF for its "unwavering determination not be to be deflected from what it believed to be right for the UK and for the international economic system".

Mr Dell's hope is that he will provide "raw material" for the continuing economic debate, but he has left it late and the tone is a trifle sour.

Malcolm Rutherford

BUSINESS BOOKS

FINANCE

The coming US banking disaster

BANKRUPT
by Lowell Bryan
Harper Business $22.95. 315 pages

MR LOWELL Bryan, a senior partner at the management consultants, McKinsey and Co, has a habit of making unfashionably gloomy predictions about the banking industry and being proved right. In 1987, he predicted that the US government would face a bill of at least $100bn from the collapse of the savings and loans industry. At the time, none of the Washington policymakers took him seriously. Now Mr McKinsey's prediction appears optimistic.

In this lucid and stimulating book he forecasts disaster for the entire US economy unless the government initiates a wholesale reorganisation of the banking system. He estimates that as much as 25 per cent of US banks, controlling over $750bn in assets, are facing losses so huge that they will not be able to extend new credit no matter how low interest rates may fall and no matter how much consumers and businesses may want to borrow.

His warning therefore is that US economic growth will not recover significantly unless the troubled banks are recapitalised immediately and the banking system is overhauled. Though he supports much of what the US Treasury proposed for the reform of bank regulation earlier this year, he argues that the package is fatally flawed by its unambitious plans to change the system of deposit insurance.

Indeed, interest in the book outside the US will stem mainly from his discussion of deposit insurance. In the wake of the collapse of the Bank of Credit and Commerce International, bank supervisors throughout the world are reviewing their systems for protecting depositors from losses when a bank collapses.

There is no question that the US insurance system, which effectively gives 100 per cent protection to depositors, is at the heart of its banking industry's problems – and was also responsible for the collapse of the savings and loans.

For the past nine years, since the enactment of the Garn-St Germain Depository Institutions Act, all banks and savings and loans have in effect been underwritten by the government. They can offer absurdly high rates to attract deposits and then lend the money at absurdly low rate. The profitability of the their business has been irrelevant. Bankers knew that if their institution went bust, the government would bail out depositors.

Legislation passed during the Depression and in the 1950s has been a severe obstacle to US banks restoring profitability by merging or diversifying into areas such as securities trading and insurance. To add insult to injury, insurance companies, store groups and securities traders have encroached on the banks' traditional business.

Mr Bryan concurs with the Treasury's proposals to end the restrictions on US banks' ability to diversify or buy banks operating in different states. But his most radical proposal is that deposit insurance should apply only to a new breed of bank, which he calls the core bank. This is a low risk institution, which would concentrate on taking deposits from individuals and on lending to individuals, small business and mid-size companies.

Core banks' deposits would be prohibited from paying interest greater than the yield on treasury bills, allowing a recovery in banking margins. If banks wanted to take deposits at higher rates, they would have to do so through separately capitalised subsidiaries, which would not be insured under the Government scheme. A holding company would own both the insured bank and the uninsured bank. The company's structure would include "firewalls", to prevent any difficulties at the uninsured bank from infecting the insured bank.

The proposals are plausible. But the book is flawed by its aim of attracting the general reader. Mr Bryan does not give a convincingly detailed explanation – one that would of necessity be complex – of how his firewalls and the diligence of bank supervisors can prevent a holding company from leveraging its non-insured activities off the insured activities.

He says research by his consultancy indicates that the core bank would be able to make a respectable profit, but there is little detail on the research. He is therefore unable to quiet the severe doubts of professional bankers about the profitability of this breed of bank. On the other hand, bankers are never happy concentrating on bread and butter borrowing and lending. If only they were.

Robert Peston

Meister classes

FINANZMEISTER: FINANCIAL MANAGER AND BUSINESS STRATEGIST
by Nigel Kendell and Thomas Sheridan
Pitman £24.95, 350 pages

THIS book is both a study of financial managers at the centre of leading European companies – the *Finanzmeisters* of the title – and a practical guide for mere finance directors who aspire to such lofty heights.

Based on interviews with the senior executives at some 60 European companies, Nigel Kendall and Thomas Sheridan, management consultants by profession, try to draw out practical advice on every aspect of the conduct of finance within corporate Europe.

If anything the endeavour is too broad for a relatively slim volume. Too much material is crammed into too few pages. All financial life is here: a résumé of accounting differences within the EC, a crib on barriers to cross-border takeovers, useful facts about short-termism in Britain.

The style is a mixture of theory and practice; textbook models and market statistics juxtaposed with case studies of how some of the most successful European companies really operate. These real-life examples range from an outline description of the organisation of Asea Brown Boveri's finance department, to instances of cultural differences within Europe – the importance of having a German car "of a certain marque and a certain size" when selling in the Federal republic, for example. The result is something like a beginners guide on "how to make it" in big-league financial management.

The title *Finanzmeister* is meant to capture the flavour of a characteristically European style of financial management, different in approach from the Chief Financial Officer of the Anglo-Saxon business school textbook. This is to be applauded. In one sense the research behind the book provides the foundations for a "European school" of financial management.

The title also suggests a certain egocentric *weltanschauung* on the part of its holders. This may be unintentional on the part of the authors, but one can only hope that aspirant *Finanzmeisters* bear in mind the corporate disasters which can occur when the finance function is dominant and unconstrained.

But this may be an unfair criticism of the book itself. Companies cited as models of pan-European success include Nestlé and Guinness – organisations noted for a marketing-led business culture. Here the finance function has been at best the equal of other commercial disciplines, not the *meister*.

The authors also give a solid guide to the formulation of corporate strategy which focuses as much on other disciplines as on pure finance; cash cows, value chains, product differentiation. Indeed, they argue throughout that the ability to "transcend finance" is what differentiates a *Finanzmeister* from an ordinary finance director.

Simon London

INDUSTRY

Bevin and the brothers in arms

Nina Fishman finds much to admire in an exhaustive history of the TGWU

THE HISTORY OF THE TRANSPORT AND GENERAL WORKERS' UNION VOLUMES I: PARTS I and II
by Ken Coates and Tony Topham
Basil Blackwell, £95 (£20 to TGWU members), 909 pages

THE Transport and General Workers' Union has been Britain's biggest and most influential union for as long as most of us can remember. Its difficult birth from the amalgamation of 18 different, often disparate unions was seen at the time as a triumph for its first general secretary, Ernest Bevin. Historians concurred with contemporary judgment.

This July, the T&G's 34th BDC (Biennial Delegate Conference) at Blackpool was Ron Todd's last conference as general secretary. He received a warm display of affection from delegates and a fulsome eulogy from Bill Morris, the general secretary-elect.

Todd and Morris come from the union's left wing, which has dominated its leadership since Frank Cousins gained the top office after the previous incumbent's sudden death. The T&G left wing shared other socialists' negative view of Bevin. He was anti-communist, arrogant, undemocratic, and had done little to merit their respect. It was therefore remarkable and moving to hear Bill Morris accord Ron Todd a place in the roll of venerable T&G general secretaries beginning with Ernest Bevin, and continuing through Frank Cousins, Jack Jones, and Moss Evans. Morris expeditiously altered the actual line of succession by omitting the two general secretaries who were Bevin's immediate successors and keen Cold War crusaders!

Morris's revisionism is timely. The T&G may have weathered the coincidence of statutory attack and Britain's manufacturing atrophy, but Bill Morris faces an enormous task in guiding Britain's largest union back to its pre-eminent position in "the movement". The *FT* has regularly reported the political infighting within the union's executive; there are continuing financial difficulties. The union and its members need the self-confidence and conviction of both the justice and importance of their cause which is Bevin's legacy.

Delegates to the BDC were given the first instalment of the T&G's official history. It is handsomely produced in a boxed set and covers the eventful period from the London Dock Strike in 1889 to the T&G's birth in the aftermath of the First World War.

The punctilious may cavil that this is actually the union's pre-history. Ken Coates and Tony Topham provide ample justification for its inclusion. They record the declarations of the new union's founders who self-consciously fashioned tradition to include their particular litanies of battles and heroes. Coates and Topham examine the source of these activists' inspiration: the memorable upheavals of the early 1890s and the period from 1911 to the outbreak of war.

Readers should not be deterred by the first volume's length. The history is a very good read. The people, the strikes, and the debates about strategy and tactics spring vividly to life from its pages. One of the people who emerges unexpectedly from the mists of the past is Robert Williams. Williams is generally neglected because of his place in labour movement demonology for his alleged betrayal during Black Friday in 1921. Coates and Topham

Ernest Bevin: absolved of charges of ill-treatment of union leaders

argue that his sentence is wholly unmerited, and report his capable and energetic leadership of the Transport Workers' Federation during the war.

Though the authors have clearly written for a non-academic audience, they do not fail to address the main academic disputes surrounding the union's history. They record their own viewpoint, but always provide sufficient evidence of the other side to enable readers to make up their own minds.

Coates and Topham take a thorough-going revisionist view of Ernest Bevin. While they make no attempt to conceal their own strong commitment to workers' control and industrial democracy, they chronicle fully the circumstances which led Bevin to become a centraliser. They also quote extensively from his early speeches and writings to show how in many ways his own views on the world coincide with their own principles.

They absolve Bevin from the notorious and familiar charges of ill-treatment of other union leaders, notably Ben Tillett. They acknowledge the "negative" qualities of the man – the unusual force, bluntness, and overweening arrogance. But they do not accept the left's usual verdict that these qualities were *prima facie* evidence of Bevin's "dictatorship".

British trade unions have been no less affected by national characteristics than British business or British politics. Even when there have been marked upheavals and conflicts, and notable peaks and troughs in their development, they have usually invented a continuous tradition to prove their legitimacy. Coates and Topham have shown that the T&G is no exception to this strong desire for an authenticated past. Nevertheless, readers will also find the evidence which gives authenticity to this presumption of continuity.

Certainly, the spirit and culture which the force of Bevin's character infused into the institution he founded were still very much in evidence at the union's BDC in July 1991. Instead of the barely concealed holiday atmosphere which accompanies British conventions held by the sea, the delegates were disciplined and serious-minded. They came to the rostrum to proclaim to the all the world (whom they assumed to be listening) the dilemmas and injustices faced in their workplaces.

Bevin moulded the T&G in the belief that his union would make history. The delegates in Blackpool still behaved as if they were people of destiny. Reading the official history can only reinforce their sense of having been called to serve "their" and Bevin's people.

Businessman by design

WILLIAM MORRIS: DESIGN AND ENTERPRISE IN VICTORIAN BRITAIN
by Charles Harvey and Jon Press
Manchester Univ.Press £45/ £12.95, 257 pages

THE William Morris industry has been in flood in recent years: craftsman, designer, artist, poet, socialist, utopian, romancer – his life has been fully and respectfully described in a succession of volumes, often with the bonus of splendid illustrations. That is fair enough, and no one these days will deny him his fame and his distinction.

This latest book most excellently fills a gap. It is the story of Morris *as businessman*, and the gap exists because none of his admiring biographers has previously been particularly interested in the fact that for 35 years he was a successful, hard-working "small businessman" (in today's phrase), a vigorous Victorian entrepreneur.

The authors of *William Morris: Design and Enterprise in Victorian Britain* describe his business career as "one of the most singular and colourful of the nineteenth century", which may be slightly over the top, but certainly they are right to show that his success as a businessman "made him an influential figure of national importance, and indeed was crucial to his success in other fields."

Those other fields included the passionate and sustained advocacy of a socialist revolution. We are not talking here in terms of Sir Terence Conran or Anita Roddick standing up on a Labour or Green platform. Morris came to believe that art, which was vital to life, could only flourish in a society liberated from the destructive forces of commercial warfare in "our hateful modern society", and he spent much energy and money in his middle years in pursuing the cause of revolution rather than radical reform.

Was he therefore a hypocrite in proclaiming revolution while making (as these biographers put it) "no attempt to run the firm in accordance with socialist principles"?

They do not try to evade the question: they acknowledge that, in the midst of his socialism, Morris was doing the interior decoration for St James's Palace.

They note that in his later years he ran the Kemscott Press to produce editions which only the rich could hope to buy – "His was a serious purpose and that purpose demanded that he stay in business. To do this he had to trade at a profit. To trade at a profit he had to keep down costs, stimulate demand, and fix his prices at a remunerative level." That is the story of Morris's entire career. In the end, he was one of us: he

William Morris: artistic visionary with a hard head for business realities

would have read the *FT* as well as *The Guardian*.

Of course, the self-proclaimed disciple of Ruskin, whose firm's products by definition adorned only the homes of the rich and whose employees were hired and governed according to the conventional terms of the time, was criticised in his own lifetime for hypocrisy.

This "business biography", which could hardly have been done better save for an element of repetition, reminds us of Ruskin's demand that we recognise the true social purpose of business:

"Individual goal, or profit, should never be a goal in itself. . . profit is [said Ruskin] not 'the object of life to a true merchant'. . . it is 'to understand the very root qualities of the thing he deals in, and the means of obtaining it and producing it; and he has to apply all his energies to producing it or obtaining it in perfect state, and distributing it at the cheapest possible price where most needed.'"

Perhaps Ruskin, and Morris, have not been entirely popular in recent years . . .

J D F Jones

INDUSTRY

The white heat of an industrial revolution

Men who reforged the US steel industry

AMERICAN STEEL
by Richard Preston
Prentice Hall Press $19.95, 278 pages

CHANGING PATTERNS OF INTERNATIONAL RIVALRY
edited by Etsuo Abe and Yoshitaka Suzuki
Univ. of Tokyo Press £50, 315 pages

SOMEONE was going to have to put an oxygen lance into that naked bath. Thompson swung around on his feet and cried, "Lance it!" The bathtub was within thirty seconds of overflow. Big Dave Thompson looked around. No one moved. No one knew who was supposed to lance the bath. Thompson grabbed an oxygen harpoon. He cracked the lance valve and oxygen hissed from the tip of the lance. Thompson jumped on to the bathtub. He drove the lance into the hot metal, fishing the jet through liquid steel, feeling for the drain opening of the bathtub. He felt the lance strike the stopper. Keeping the tip of the lance against the stopper, he guided the tip down into the drain hole. There was a thud in the bathtub. A terrifying spray of sparks billowed into the air and Thompson vanished in the spray.

ANYONE WHO thinks the steel industry is boring should read Richard Preston's gripping account of how Nucor, a leading US mini-mill group, built its Compact Strip Production (CSP) facility in the cornfields near Crawfordsville, Indiana.

It is a drama of people and technology, of entrepreneurial ambition and physical courage. A young company with a young staff, many of whom have never seen hot metal before, is installing an untried process for casting steel into thin, flat strip. If it works, Nucor will be making sheet steel at a cost far below that of "Big Steel", the long-established integrated producers. Kenneth Iverson, Nucor's chairman, is trying to do for the steel mill what Apple had done for the computer – "to cram a steel mill into a box".

The process was invented by Schloemann-Siemag in Germany. The Germans, writes Preston, were uneasy at first about the Nucor style. They "did not like the idea of Indiana farmers pouring hot metal into their casting machine . . . These Americans were clever with their hands but they were irresponsible. They were like children. They liked to play with fire and they had to be watched".

Preston's prose is sometimes purple, but he admirably conveys the technical complexities of the process, the nervous camaraderie on the casting deck ("people's mouths were open, they were either screaming in *fright or cheering or both*"), the dreaded cry of "breakout!" as molten steel gets *loose in the machine*.

The brash Nucor men think little of the bureaucrats of Big Steel – their business schools, their hunting lodges, their soundproof meeting rooms.

"The one thing they never understood was how to invest money shrewdly in manufacturing technology, and their task of managing a giant steel company was not made easier by the fact that they never much cared for the men on the bottom who made the steel. They were never able to inspire the hot metal men to do much of anything except to go out on strike."

Yet is management failure an adequate explanation of the decline of Big Steel after 1960? Paul Tiffany, in his contribution to *Changing patterns of international rivalry* – subtitled "Some lessons from the steel industry", a set of papers given at a business history conference in Japan – argues that industry leaders "failed to find common ground with traditional adversaries, in both organised labour and the government, over a strategy for long-term success."

He blames the government for clumsy attempts at price control – highlighted in the clash between President Kennedy and Roger Blough of US Steel in 1962 – and for its indiscriminate use of foreign aid to subsidise new steel industries around the world. As for the American lag in switching from open hearth to basic oxygen furnaces, in the early 1950s, the new process was then untried in large operations and the companies were under strong pressure from the government to expand capacity quickly to meet the needs of the Korean war.

Other contributors suggest that the oligopolistic structure of the industry, dominated by an *inefficient price leader* in US Steel, discouraged innovation. Would performance have been better if US Steel had been broken up? (The question might be asked about the car industry and General Motors.)

Interestingly, the even more dominant Japan Steel was split in 1950, on American orders, into two separate integrated companies, Yawata Steel and Fuji Steel. This change, according to Seiichiro Yonekura, prompted an entrepreneurial response from Kawasaki Steel, at that time a non-integrated producer that had relied on Japan Steel for supplies of semi-finished steel.

It decided, against the wishes of MITI, to invest in a state-of-the-art integrated works on a coastal site at Chiba. This initiated a wave of investments in large coastal works, incorporating the latest technology, and paved the way for Japan's dominance in world steel. It was remarkably similar to the heyday of the American steel industry between 1890 and 1930 when innovative companies such as Armco, Inland and National expanded rapidly.

A competitive business environment, market growth, technological opportunity, a supportive or at least not actively hostile government – these are the ingredients which seem to foster an efficient steel industry. Yet it must be said that the absence of strong domestic competition has not prevented POSCO of South Korea from becoming one of the world's most efficient producers. No doubt, as Sung-il Juhn argues in his paper, T.J. Park, the founder of POSCO, was an outstanding entrepreneur, but "*national champion*" status has evidently not damaged the company's performance.

As the American mini-mills have shown, a determined maverick can make a success even of an unpromising environment. How big and lasting the maverick's impact will be is another question. Will Nucor be another People Express, the entrepreneurial airline that lost its way as it became bigger? Preston reports talk in Nucor of leapfrogging Japan and of America becoming the world's low-cost producer. Now *that* really would be, as the Crawfordsville manager put it, "the biggest turnaround since Henry Houdini escaped from a coffin at the bottom of a frozen river".

Geoffrey Owen

FINANCE

Inside stories from the greed decade

INSIDE OUT: AN INSIDER'S ACCOUNT OF WALL STREET
by Dennis Levine
Putnam $22.95, 431 pages

RAINMAKER: THE SAGA OF JEFF BECK, WALL STREET'S MAD DOG
by Anthony Bianco
Macmillan £17.50, 486 pages

ALL CASINOS foster fantasies of greed and grand delusions of invincibility, but perhaps none more than Wall Street, the biggest of them all.

Such delusions were never more rampant than in the 1980s, the era of the junk bond. As a footnote to that shoddy period, here are two books about a couple of moderately successful (though third rank) take-over advisers. It is a measure of the times that the main claim to fame of one, Dennis Levine, was his secret second life as an inveterate insider trader, while the other, "Mad Dog" Jeff Beck, was a compulsive liar about himself.

Levine's recounts his rise and fall, in this mildly interesting but oily, sentimental and self-serving autobiography. His arrest on insider trading charges provided the Securities and Exchange Commission with the breakthrough that exposed the criminal activity of some of era's biggest takeover artists. Levine shopped Ivan Boesky, the arbitrageur, to whom he had been passing information. Boesky, in turn, walked around wired with a hidden microphone as he tried to extract incriminating statements from other erstwhile partners in crime.

The domino effect ended with the collapse of Drexel Burnham Lambert, the flashy, upstart securities house, and the conviction of Michael Milken.

Levine too worked for Drexel, but his career as a member of an insider dealing ring stretched back to his days as a junior in the industry and through several employers. It was carefully planned, with trades carried out via an account with a Swiss bank in the Bahamas, and Levine was only caught because the bank's employees began copying his stock purchases.

What marked Levine apart was the sheer scale of his operation and the fact that he carried on even after he became a senior figure on Wall Street, earning $1m a year in legitimate wages.

Why did Levine risk it? His answer, after ruminations inside a federal penitentiary, is that he was motivated not so much by greed – he did not spend the $10m he had stashed away in Nassau – but by a desire to match himself against Wall Street's heavy hitters. "I came to view myself as an insider trading junkie."

Believe it if you want, but to plead addiction is to deny personal responsibility, and Levine must have known that what he was doing was wrong. Unbridled greed seems the likeliest motive.

Beck's character defect, which led to his downfall, was different – a compulsion to tell outlandish lies. He called himself the "Mad Dog," a nickname he was supposed to have acquired fighting in Vietnam. But all of this was fantasy, and eventually the *Wall Street Journal* exposed it as such. Shortly afterwards, Mr Beck resigned from his job at Drexel Burnham Lambert.

Anthony Bianco, a reporter for *Business Week*, tells Beck's story at inordinate length and in tedious detail, straining to portray him as a symbol of the decade. Beck is too minor a figure to merit the attention. *This is a big book about a* rather small, sad man.

Martin Dickson

The bald truth about Trump

TRUMPED
by John R.O'Donnell
Simon & Schuster £15.99, 348 pages

SO MUCH has been written about Donald Trump that it is hard to imagine why the world should welcome more. But John O'Donnell's offering may just be a borderline exception.

As biography, *Trumped* is anything but flawless. The author spent three years working for one of Trump's casinos in Atlantic City, eventually running the operation before he quit. Now working for a rival Atlantic City property, he plainly dislikes the hugely-indebted developer with a vengeance. Forget about objective vision or well-balanced insights. This is spit-and-tell.

Of course, such a reaction may be understandable – at least, if even half of what O'Donnell writes bears any semblance to reality. For a start, Trump's management methods appear to owe more to New York street life than Wharton business school, which he once attended.

O'Donnell's main contention is that staff spend so much time coping with the businessman's tantrums, lust for publicity, and ill-judged deals that running an efficient business is impossible. The string of anecdotes is delivered with a vicious, judgmental thrust.

But, while O'Donnell's motives and emotions cloud the story,Trump and his businesses do emerge as three-dimensional entities.

O'Donnell supplies a wealth of revealing detail. He makes much of Trump's obsession with cleanliness and dislike of crowds, for example. "It would irritate him to distraction if someone stepped up to whisper in his ear, or if an elderly woman who abandonned her slot machine in hopes of meeting him got close enough to peck him on the cheek."

Then there is the apparent vanity: "He once observed to Mark (Etess, another senior casino executive) that he considered baldness a sign of weakness. He gave a tube of gel he used to Mark, warning him: "The worst thing a man can do is go bald. Never let yourself go bald".

By the end, the reader may not like Trump very much but at least he feels he has encountered someone *whose drive derives as much* from insecurity as from a Midas-like lust for gold. It is all far more plausible.

In short this is an unedifying book, probably written for unedifying reasons, and certainly centred on an unedifying business. But it is readable. And, after some of Trump's own twaddle, for that relief, much thanks.

Nikki Tait

Mike Milken's junk world

THE JUNK BOND REVOLUTION
by Fenton Bailey
Fourth Estate £16.99, 282 pages

A BOOK based on recycled clippings, littered with small factual errors, and written by a man whose most striking achievement is membership of a rock group called the Pop Tarts does not sound the most gripping read. In fact, Fenton Bailey's sketch of Mike Milken and the junk bond world provokes some interesting reflections on Milken's rise and fall.

Bailey worked briefly at Drexel Burnham during its glory days, though the closest he came to Milken was as an image on a videotape – his job at Drexel was to edit tapes to show to clients and staff. Later, he helped interview Milken, once, for a British television documentary.

His connection with the junk bond czar is thus largely an electronic one – which is appropriate. One striking revelation of this book is the part videotapes played in Milken's world.

Milken sent his wife an electronic billet-doux fronted by the newscaster Barbara Walters. Videotapes were a central element of the annual Drexel High Yield Bond Conference. The financiers and corporate executives who attended were shown videotapes patterned after television commercials.

The electronic enthusiasms of the Milken world give an authentically Californian feel. The Milken scandal *feels* different from those perpetrated on the East coast or in Europe.

Another Californian element is the relationship between Milken and the team of junk-bond traders he built in Beverly Hills, far from the established centres of US finance. Bailey defends Milken from the allegation that the the team resembled one of those strange religious or political cults that flourish on the edge of the Pacific. But every piece of evidence he presents undermines his argument.

Bailey defends Milken and his team; he criticises virtually everybody else associated with the junk bond era, from the corporate raiders Milken created or nourished, to the Drexel staff in New York, and the journalists and prosecutors who brought him down.

You do not have to be a Milken sympathiser to feel that the federal attorneys botched their case against him, and that, on the evidence presented, the sentence was harsh. But there is little scope for the theory that his actions were harmless, let alone (as Bailey would have us believe) beneficial. The capital market he created was a false one, with conflicts of interest among the participants, and sustained by manipulation by Milken and his team. They financed some good businesses but also many bad or excessively risky ones. To do so they routinely suppressed information, coerced or bribed investors, and gave themselves artificially high rewards.

The book provides convincing evidence that Milken's personal acts of charity were great, not merely in money but in time and personal commitment. Milken is clearly not a Bad Man. But the junk bond world he created was a Bad Thing; and, whatever this book says, no amount of apologetics will make it otherwise.

Peter Martin

How America lost its industrial leaders

GLOBAL COMPETITION IN CAPITAL GOODS
by Robert S Eckley
Quorum Books, Westport CT. £27.50, 180 pages

IN 1955, the US accounted for 40.4 per cent of world production of machine tools. By 1988, its share had sunk to a paltry 6.6 per cent, less than that of Italy and little more than a quarter that of Japan.

These stark figures from Robert Eckley's book tell a story of industrial decline which by now has so many echoes from other sectors that it is scarcely regarded as surprising any more. Yet Americans still find it intensely difficult to come to terms with seeing their country toppled from the position of economic and commercial supremacy it once enjoyed. Obsessed with their massive trade deficit and the ever-growing inroads by Japan into markets once regarded as theirs almost by right, they are consumed with a sense of guilt and frustration.

Typically this finds its expression in calls for protection, but it has also led to nervous introspection. The question of US competitiveness has become a hot subject for policy debate. This book, written by an academic who also has worked in industry as an economist with Caterpillar, seeks to add a new dimension to that discussion. It looks at the problem from the specific experience of seven leading companies that export capital goods.

Inevitably the choice of companies – IBM, Boeing, GE, Kodak, Caterpillar, Cummins, Cincinnati Milacron – is somewhat eclectic. It is not entirely clear that Kodak should qualify as a capital goods exporter. Nor is there necessarily a great deal of common ground for analysis, although there is a shared story of decline. Five of the seven have lost world market share during the last 20 years and the other two are more vulnerable to loss. General Electric and Cincinnati Milacron have lost their world leadership position, though the other five are still on top.

One of the encouraging starting points is that Mr Eckley does not believe that a retreat into protectionism is the answer. Indeed it may be counterproductive. Protection of the US steel industry has added to the cost base of other manufacturers. For example, one-tenth of Caterpillar's costs are for steel. Nor did trade restraints affecting exports add much to the difficulties the company faced in the early 1980s, though the US shot itself in the foot during this period by banning the sale of pipelayers to the Soviet Union. The equipment was eventually supplied by its rival Komatsu.

There is also an admission that some, at least, of the companies' problems were of their own making. IBM was slow to respond to the development of the middle range competitor by its competitors. Kodak failed to foresee the growth in demand for 35mm camera film while it concentrated too long on a camera format that permitted film to be easily loaded. Caterpillar, which was heavily dependent on exports, was hit by the rise of the dollar in the first half of the 1980s but it waited too long to diversify its sources of procurement.

One of the saddest tales is that of Cincinnati Milacron which has had to contend with a Japanese onslaught in the machine tool market. It would be easy to blame its troubles solely on assistance received by the its Japanese competitors in the form of strategic planning by the Ministry of International Trade and Industry and through a Japanese policy of trade protection in the early stages. But this is only part of the story.

Two other factors emerge. One is that US research efforts have been much less orientated towards user application and process than those of Japan; the other is that, far from helping, the active role of the US Department of Defence in procurement and research in the 1950s and 1960s may have been a hindrance.

"A problem arose," Mr Eckley writes, "because of the sophisticated nature of Air Force machining requirements and the vested interests that developed in the early numerically-controlled tools to meet its needs. This detracted from the evolution of simpler NC approaches by the absorbption of talent and the devotion of resources to highly complex systems for aircraft and automobile manufacturers."

On this yardstick, Japan's success is just another spin-off from its low defence budget, but, as the book concludes, the reasons for US decline are complex and varied. One of the most serious remains a self-inflicted handicap in the form of deficiencies in education and training. Explaining why Motorola increased its training budget nearly ten-fold during the 1980s, Mr Eckley quotes a company vice-president as saying: "Much of our workforce was illiterate. They couldn't read. They couldn't do simple arithmetic like percentages and fractions."

Mr Eckley is confident that US industry can overcome its competitivity problems, but Motorla's admission that half its manufacturing and support staff in the US failed to meet basic primary school standards in English and mathematics suggests there is still a long haul ahead, and one that is likely to be beset by continuing siren calls for protectionism.

Peter Montagnon

Tokyo before the fall

BANKING AND FINANCE IN JAPAN
by Kazuo Tatewaki
Routledge £40, 220 pages

HOW TO ESTABLISH A BUSINESS IN JAPAN
by Tord Ride
Kluwer $44, 145 pages

KAZUO Tatewaki's book neatly illustrates the problem of writing a book these days about financial markets – it is in danger of being overtaken by events. His conclusion is: "Although there are some problems in Tokyo, such as a higher cost of living and office space, Tokyo appears to be the fastest-growing and most attractive of the three major centres from the viewpoint of international financial business."

The book uses information up to 1989 when the Nikkei index was soaring, Tokyo was the largest stockmarket in the world and the misdeeds of Nomura and other brokers were only dark mutterings of disgruntled foreigners who could not get a foothold in the market. Since then the index has plummetted to levels where the Japanese financial institutions will struggle to reach Bank of International Settlements minimum capital-asset ratios and foreign grumblings have been shamefully proved correct.

Tatewaki's book also exposes a problem of letting Japanese academics write – it is extremely matter of fact to the point of being boring. It does not devote enough time to the idiosyncrasies and peculiar pitfalls of the Japanese market for unwary foreigners. The author could certainly have devoted more time to explaining the supervision that the Ministry of Finance exercises, both direct and indirect. But if you want a guide to Japan's recent financial history (to 1989) along with an explanation of Japan's unique financial markets including the *gensaki* market, *kingai* trusts, *tokkin* funds and the huge Norinchukin Bank, it offers a good (though expensive) starting point.

Tord Ride's book is a step-by-step guide to setting up a business in Japan, painstakingly explaining the advantages and disadvantages of representative offices, branches, licence deals, joint ventures or establishing a *kabushiki kaisha* (Japanese stock corporation). He includes some of the important forms that have to be filled in and deals with tax and labour laws as well as the tricky problems of negotiating with the Japanese.

It offers an excellent starting point. Its main omission is of any estimate of the costs of starting up in Japan.

Kevin Rafferty

Problems and solutions for the EC

EUROPEAN COMMUNITY
by John Pinder
Oxford £22.50/£6.99, 248 pages

THE NEW EUROPEAN ECONOMY
by Loukas Tsoukalis
Oxford £25 333 pages

THE COMMUNITY OF EUROPE
by Derek W. Urwin
Longman £18.99/£8.99, 274 pages

De Gaulle: blocked the march to unification

BOOKS ON the European Community are neither easy to write nor, usually, easy to read. They tend to fall into the category of either short histories, with separate chapters on the Community's policies, institutions and future development, or more specialised studies concentrating on one or other aspect, like the common agricultural policy or economic and monetary integration.

Three of the latest books on the EC tend to fall into the first category, particularly Prof Derek W. Urwin's *The Community of Europe*. It has the merit of being easily digestible, with good appendices of key dates, and it provides a good historical introduction to the EC. But it does not pretend to offer either the deeper political insights of John Pinder's *European Community* or Loukas Tsoukalis's sophisticated analysis of the economics of integration in his *The New European Economy*.

Pinder is an old war-horse of European unification, who makes no secret of what he describes as his "neo-federal" views, while nevertheless remaining laudably objective in his treatment of opinions opposed to his own. A former Director of the Policy Studies Institute, and currently Visiting Professor at Margaret Thatcher's favourite university, the College of Europe in Bruges, Pinder is at his most persuasive when analysing what he considers the inexorable nature of the Community's development towards economic and political union.

He clearly sympathizes with the "neo-functionalist" view that, because economic problems are interdependent, the solution of one by joint action will lead to similar action on others. Thus, one of the motives for the single market programme was the fear that internal Community free trade would be undermined by the multiplicity of non-tariff barriers.

Yet the author recognises that the "linkage" explanation of the Community's development underestimates the capacity of contradictory forces, such as the nationalism practised by General de Gaulle and Thatcher, to slow down or halt the march towards integration. Functionalists can explain the process of integration, but without reference to the final objective and the means to achieve it. Federalists, on the other hand, have a much clearer idea about the final goal and the steps which have to be taken.

With some important reservations, Tsoukalis, a professor at the University of Athens and Director of Economic Studies at the College of Europe, shares the view that the integration process has its own dynamic, creating pressures for a further extension of common policies and institutions.

But he strikes a cautionary note in his conclusion to an informative and perceptive analysis of the project for economic and monetary union. Further integration, he warns, is likely to stumble upon the economic divergences and disparities in the EC. The Community has neither the instruments nor the institutions to cope with the problems it faces. If it is to play a more active role in world affairs, it must be endowed with greater financial powers, more central institutions and greater democratic control.

In that respect he is very much on the same wavelength as Pinder, but it is not a message likely to appeal to supporters of the nation-state.

Robert Mauthner

The detailed history of a car maker

THE BMW STORY: A COMPANY IN ITS TIME
by Horst Mönnich
Sidgwick & Jackson £25 588 pages

IRONICALLY, Horst Mönnich has created a 1950s Cadillac of a book – very long, somewhat self-indulgent and with an excess of styling ornamentation – to portray a company whose reputation is all to do with conservative efficiency.

Nearly 600 pages to chart the doings of a concern whose history spans barely 75 years imply an excess of detail, given that the author's divisions are wholly chronological. Of chapters which might have been devoted to specific issues of current close concern to a car maker – marketing, perhaps, or coping with the march of technology - there is no sign.

Business readers hungry for further insight into the detailed strategies and means by which BMW, as a relatively small, albeit prestigious, manufacturer, might continue to survive in a globalising motor industry overshadowed by Japanese 'lean' production will thus emerge (eventually) from Mr Monnich's book largely disappointed. *The BMW Story* is long on anecdote and short on analysis of all but the past.The future is dealt with briefly in the form of epilogue.

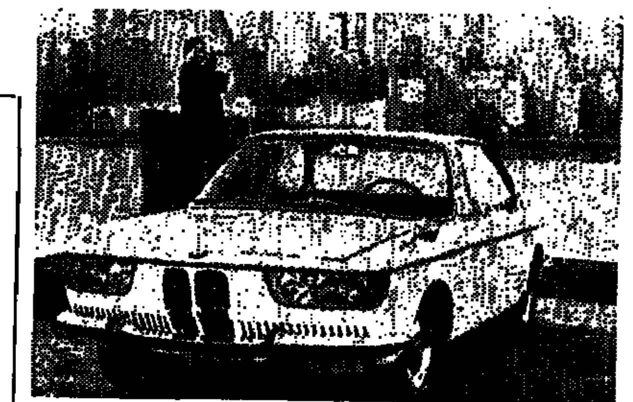
Not unreasonably, perhaps, for a book meant mainly as a history. Yet BMW is a living entity, and part of one of the world's great industries at a time of profound uncertainty about the shape of the future. To that extent, it is an unsatisfying format. Mönnich's epilogue raises plenty of questions about the future in the form of a quoted dialogue with Eberhard von Kuenheim, BMW's current chairman, but he forgoes the burdensome task of investigating the possible answers.

Perhaps Mr Mönnich is exhausted by his labours, given that the work was seven years in the writing. It is based, he proclaims in his foreword, on "hundreds" of interviews conducted beforehand with "foremen, fitters, engineers, designers, managers, secretaries, dealers and shareholders".

What Mönnich does provide is a remorselessly detailed chronicle of the rise, temporary falls, wartime and other fortunes of one of Germany's proudest companies since its formal listing as the Bavarian Motor Works in Munich in 1917. Sociologists could well find in it as much, if not more, of interest as anyone seeking lessons and pointers for contemporary industry, for the author is punctilious in putting BMW's activities in their social, political, economic and even his own philosophical context. And, his treatment of those activities is encyclopaedic: from motor sport to a blow-by-blow account of the crisis days at the end of the 1950s when BMW came so close to extinction.

There can be few fears about inaccuracies. Mönnich describes his role as "more that of detective than author". By comparison, Holmes himself is a dilettante.

John Griffiths



Sales drive: BMW 2000 CS Coupé, New York, 1965

An experiment in the sale of power

PRIVATISING ELECTRICITY: THE POLITICS OF POWER
by Jane Roberts, David Elliott and Trevor Houghton
Belhaven Press £32/£12.95, 202 pages

THE BRITISH ELECTRICITY EXPERIMENT
BY JOHN VICKERS AND GEORGE YARROW
Economic Policy April 1991,pp.188-232

THE Frenchman who comments on Vickers' and Yarrow's article says it all: "It is always interesting for economists to witness large-scale experiments, but I must admit to feeling a relief that this particular experiment is not taking place in my own country."

Both sets of authors reach damning conclusions about the UK's most ambitious and radical privatisation, although its extra weight of evidence means the book packs the heavier punch.

The book's title is lifted from the 1988 Government White Paper in which the principle of privatising of the UK Electricity Supply Industry (ESI) was originally expounded. The authors take a critical look at how the privatisation unfolded.

At the centre is the nuclear industry. As ESI came under intense scrutiny from the government, it became clear that nuclear power required an integrated policy and the sort of state support that was incompatible with liberalisation of the wider industry.

Breaking up the Central Electricity Generating Board would remove the caucus on which the UK's nuclear programme had depended. But it was the single issue of costs, particularly the escalating estimates for decommissioning and reprocessing the spent fuel which scuppered the nuclear lobby.

The irony of the episode was that had the original White Paper proposed keeping the nuclear stations in public ownership, the CEGB might have been broken up more thoroughly, with a multiplicity of generating companies ensuring a truly competitive industry.

Instead, the privatisation is held to have missed two opportunities. First, the government failed to make the concept of sustainability a cornerstone of its energy policy – it took instead a narrow economic view; allowing the distribution companies a direct profit incentive to distribute power, rather than forcing them to promote energy efficiency.

Second, privatisation failed to destroy the corporatist basis of the ESI, even by the limited aims of its own principles. It is perhaps too early to make a definitive judgment on the mechanisms designed to control ESI, although further regulation seems inevitable.

Andrew Freeman